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AN INQUIRY

INTO THE

PRINCIPLES

OF

POLITICAL ECONOMY.

BEING AN

ESSAY ON THE SCIENCE

OF

Domeſtic Policy in Free Nations.

IN WHICH ARE PARTICULARLY CONSIDERED

POPULATION, AGRICULTURE, TRADE, INDUSTRY, MONEY, COIN, INTEREST, CIRCULATION, BANKS, EXCHANGE, PUBLIC CREDIT, AND TAXES.

By Sir JAMES STEUART, Bart.

Ore trahit quodcumque poteſt atque addit acervo.
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AN

AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BOOK IV.
OF CREDIT AND DEBTS.
PART IV.
OF PUBLIC CREDIT.
CHAP. I.

Of the various Conſequences of Public Debts.

THE principles which influence the doctrine of public credit are ſo few, and ſo plain, that it is ſurpriſing to ſee how circumſtances could poſſibly involve them in the obſcurity into which we find them plunged on many occaſions.

For the better clearing the way towards the main object, I ſhall ſhow, from experience, and from the progreſs of public credit in ſome nations, that the true principles have been overlooked, and confounded ſo with extraneous objects, as to be entirely loſt.

The true method of deciphering, as it were, the complicated operations of ſtateſmen with reſpect to

this branch, is to bring back to their native ſimplicity ſuch plans of adminiſtration, as, from the infinite perplexity of them, make people believe, that the principles which influence this diſtrict of ſcience lie ſo involved, as to require a peculiar force of genius even to comprehend them.

By proceeding in this plain track, and by keeping the principles conſtantly in view, the moſt perplexed ſyſtems of borrowing, funding, ſtock-jobbing, coining and re-coining of money, changing the weight, fineneſs, and denominations of ſpecie, circulating paper in conjunction with it, impoſing upon mankind with bubbles and bankruptcies, and calling them operations of public credit, may be rendered intelligible to the moſt ſlender capacity.

Many of theſe topics have been already explained, and diſmiſſed. This will enable us to contract the plan of what remains in proportion to the objects it is to comprehend.

Public credit we have defined to be, the confidence repoſed in a ſtate, or body politic, borrowing money, on condition that the capital ſhall not be demandable, but that a certain proportional port of the ſum ſhall be annually paid, either in lieu of intereſt, or in extinction of part of the capital; for the ſecurity of which payment, a permanent annual fund is appropriated, with a liberty, however, to the ſtate to ſet itſelf free, by repaying the whole, when nothing to the contrary is ſtipulated.

In this definition I have put in an alternative, of paying a perpetual intereſt for the money borrowed, or of paying annually a ſum exceeding the intereſt;

which exceſs is intended to extinguiſh the capital in a certain number of years. In both caſes, the annual payment is called an annuity. When it is exactly equal to the intereſt agreed on, it is called perpetual; and determinate, when granted either for life, or for a certain number of years.

The ſolidity of this ſecurity is eſſential to the borrowing upon the cheapeſt terms: let me ſuppoſe it to be as ſolid as land-property, and as permanent as government itſelf: what will the conſequence be?

If we ſuppoſe government to go on in increaſing, every year, the ſum of their debts upon perpetual annuities, and appropriating, in proportion, every branch of revenue for the payment of them; the conſequence will be, in the firſt place, to tranſport, in favor of the creditors, the whole income of the ſtate, of which government will retain the adminiſtration. The farther conſequences of this revolution will furniſh matter for a chapter by itſelf.

I the borrowings of a ſtate be only in proportion to the extinction of the old capitals, or of what I have called determinate annuities, then the debts will not increaſe.

When a ſtateſman, therefore, eſtabliſhes a ſyſtem of public credit, the firſt object which ſhould fix his attention is to calculate how far the conſtitution of the ſtate, and its internal circumſtances, render it expedient to throw the revenue of it into the hands of a money'd intereſt. I ſay, this is the moſt important object of his deliberation; becauſe the ſolidity of his credit depends upon it.

If, all the intereſts of the ſtate duly conſidered,

that of trade be found to predominate, leſs inconvenience will be found in allowing the money'd intereſt to ſwell: but in monarchies, where the landed intereſt is the moſt powerful, it would be dangerous to erect ſo formidable a rival to it. In political bodies every ſeparate intereſt will conſult its own; and in the conteſt between thoſe who pay, and thoſe who receive the taxes, under the denomination of creditors, the ſecurity of public credit becomes precarious.

From this we may conclude, 1*mo*, That in governments where the ſwelling of a money'd intereſt is found to threaten the tranquillity of the ſtate, care ſhould be taken either to eſtabliſh a ſinking fund, for paying off, in times of peace, what may have been borrowed in times of war, or the plan of borrowing upon determinate annuities muſt be eſtabliſhed.

2*do*, If natural cauſes be left to work their own effects, without a ſyſtematical plan of borrowing, the conſequence will be a bankruptcy, and a total failure of public credit, at leaſt for ſome time.

3*tio*, If a ſtate ſhould find the maſs of their debts to amount to ſo great a ſum as to be inſupportable, they might have recourſe to a total, or partial abolition of them by an act of power.

4*to*, If they allow their debts to ſwell without limitation, and adhere to the faith of their engagements, the whole property of the ſtate will be in conſtant circulation, from one claſs of men to another.

5*to*, If the debts contracted be the property of foreigners, theſe will either remove into the country, where their funds ariſe, or the property, that is, the *dominium utile* of the country, will be transferred from the natives.

Theſe and many other combinations will ariſe from the extenſion of public credit; and an examination of the moſt natural conſequences upon every ſuppoſition, will be the beſt way to acquire a diſtinct idea of the ſubject in general. To pretend to foretel any one certain chain of conſequences, which may, in fact, reſult from any combination, is, I apprehend, impoſſible; becauſe every one of them will depend upon circumſtances totally unknown. Theſe, in our way of examining matters of this kind, are all to be founded upon ſuppoſition. To ſupply therefore, in ſome meaſure, this defect, I ſhall firſt have recourſe to examples of what has happened in the hitherto infant ſtate of public credit; and as to caſes which have not as yet taken place, we muſt have recourſe to ingenuity, and endeavour to form the moſt rational combinations we can.

CHAP. II.

Of the Riſe and Progreſs of Public Credit.

WHILE the policy of Princes directed them to form treaſures, there was no occaſion for public credit. This policy prevailed until the riſe of the Roman empire. Then all the treaſures of the world were plundered, and nations were inſlaved. On this revolution, the exigencies of that great empire were ſupplied from the annual tributes paid by conquered nations. Under good reigns, this annual ſupply ſwelled the public treaſure, until a prodigal Emperor ſquandered it away; and took to rapine and extortion, to fill up the void.

Upon the total diſſolution of that great empire, Europe was over-run by barbarous nations, who, with as little induſtry as ever, ſupported their power by the military ſervices of the whole people.

After the eſtabliſhment of the feudal kingdoms under their chiefs who firſt laid the foundation of them, aroſe the Barons, or principal vaſſals, who, in imitation of their chief, erected ſmall principalities, which by degrees grew independent.

This diſtribution of power into many hands had the effect of deſtroying all ſyſtematic plans of government. Princes were obliged to act according to the perpetual fluctuation of circumſtances, until by a revolution in their favor, the power of the vaſſals was ſwallowed up, and confined within the limits of a more regular authority.

In proportion as this revolution took place among nations of Europe, the ſyſtem of their government reſumed a more permanent form. Juſtice was adminiſtered with more uniformity; and from this aroſe a body of laws, which, in ſome countries, were called cuſtoms: in others, as in England, common law. Wars then became leſs frequent; and the military ſervices not being neceſſary on all occaſions, inſenſibly became converted into taxes, proportioned to the exigencies of the time.

During this period, the coin and precious metals of Europe were lodged, in a great meaſure, in private coffers. If wars brought them forth for a ſhort time, they ſoon found their way back again. Princes were generally extravagant, and ſpent money as faſt as they got it. In proportion as induſtry and alie-

nation increaſed, the coin came abroad, the inhabitants became eaſy in their circumſtances: the ſtate flouriſhed, and acquired reputation. The riches and power of a ſtate began then to be eſtimated, as they ought to be, not by their treaſures locked up, but by what was found in circulation; that is, by their induſtry. Venice, Genoa, and the Hans-towns, ſet the example. The Jews, baniſhed from France, on account of their extortions in the time of the holy wars, fled, as it is ſaid, into Lombardy, and there invented the uſe of bills of exchange, for drawing their riches from countries to which they durſt not reſort to bring them off. Intereſt for money began to be conſidered as lawful in many caſes: merchants were protected by Princes, for the ſake of the conſequences of trade and induſtry: and from ſuch ſmall beginnings has that mighty engine of public credit ſprung.

While Princes mortgaged their lands and principalities, in order to obtain a ſum of money, they acted upon the principles of private credit. This was the caſe in the more early times, before government acquired that ſtability which is neceſſary to eſtabliſh a firm confidence. In proportion as it drew towards a regular ſyſtem, the dawn of credit put on appearances analogous to the ſolidity of the fund upon which it was eſtabliſhed.

The ſecond ſtep was to raiſe money upon a branch of taxes aſſigned to the lender, for the reimburſement of his capital and intereſt. We ſhall ſhow the conſequences of this plan of credit from ſome examples, which will fully point out all its inconveniencies.

This plan of adminiſtration was attended with ſo much abuſe, and ſo much oppreſſion, that ſtateſmen began to deſpair of carrying on public affairs by ſuch expedients; and therefore concluded that the only way to obtain money at the leaſt expenſe, was to raiſe it on the ſubject within the year, or upon what they called ſhort funds.

At length public credit aſſumed its preſent form. Money was borrowed upon determinate or perpetual annuities: a fund was provided for that purpoſe: and the refunding of the capital was, in many caſes, left in the option of government, but was never to be demandable by the creditor.

This is a ſhort view of the progreſs of public credit. The principles upon which it is built are ſo few, that were I to confine myſelf to a bare deduction of them, little new or intereſting could be ſaid. I ſhall therefore ſteer another courſe: I ſhall collect the ſentiments of ſome eminent politicians, who have either writ upon, or acted in the adminiſtration of this branch of government; and by applying principles as we go along, I ſhall be enabled to point out the extraneous circumſtances which are ſo apt to involve this ſubject in obſcurity. Had we not before our eyes the numberleſs examples of this kind, it would hardly be poſſible to conceive how ſo great a confuſion, and ſo many calamities, could have followed upon the operations of public credit.

CHAP. III.

Of Anticipations, or borrowing Money upon Aſſignments to Taxes for the diſcharge of Principal and Intereſt.

I HAVE already obſerved, that by the ceſſation of the conſtant wars, in which all Europe was engaged during the feudal government of the barons, nations began to enjoy ſome ſort of tranquillity. Upon this the military ſervices became inſenſibly converted into taxes; and as Princes extended their juriſdictions over the cities, which had been formerly more under the protection of the biſhops who reſided in them, taxes were augmented. Theſe impoſitions were very inconſiderable, with reſpect to what they brought into the King's coffers. The policy in raiſing them was bad; the frauds in collecting them were great.

Theſe conſiderations engaged Princes to begin by contracting debts, and to pay afterwards by temporary aſſignments to the taxes impoſed.

From this again enſued the moſt terrible extortions on the ſide of the tax-gatherers, ſo often complained of by thoſe who have writ on the affairs of France, as we ſhall ſee in the following chapter.

Philip *le bel*, King of France, was the firſt who, in 1301, admitted, with great policy, the inhabitants of cities to have a ſeat in the ſtates of the kingdom. He formed them into a diſtinct body, and

called then *tiers état*, or the third eſtate, after the clergy and the nobility. His view was to facilitate thereby the juriſdiction he wanted to eſtabliſh over thoſe cities, and engage them to conſent to the impoſition of taxes for carrying on his wars in Flanders, and for oppoſing the ambitious views of Boniface VIII. Accordingly, the people began to pay willingly, when once they found that they had a vote in what concerned them.

I take it for granted, that every tax, about that time, was impoſed for a particular purpoſe, and aſſigned either to creditors, or to people who advanced money upon it: becauſe we are told that the firſt impoſition granted by the ſtates to a King of France as a permanent branch of revenue, was an exciſe upon ſpirituous liquors granted to Philip de Valois, in the year 1345; at which time, however, according to Mr. d'Eon's *Mémoires pour ſervir à l'Hiſtoire générale des Finances*, there were not leſs than twenty-two different taxes known in France, which he enumerates as follows:

Tailles, complaintes, charges, redevances, coutumes, péages, travers, paſſages, centiemes, ôtes, chevauchées, ſubventions, exactions, chevaleries, aides, mariages, toultes, impoſitions, priſons, ſervitudes, and *nouvellettes*.

That all theſe impoſitions muſt have been mere trifles, I gather from a circumſtance in the Political Hiſtory of France, mentioned by the author juſt cited, which being itſelf exceedingly curious, and tending greatly to confirm many things which I have advanced concerning the ſmall circulation in former times, I ſhall here briefly mention it.

In 1356, John, King of France, applied to the States for 50,000 livres, about 9165 *l.* ſterling, to pay his army. The States, beſides ſeveral other taxes impoſed to pay this ſum, granted him 8 deniers on the livre, or $3\frac{1}{3}$ *per cent.* upon all meat, drink, and merchandize, ſold in France within the year; that is to ſay, upon the whole alienations of France. The tax was levied, but fell ſo far ſhort of the ſum required, that it was made up by a poll-tax.

Can any example be better calculated for forming a notion of the circulation of France at that time?

It may be here alledged that the prices of every thing were then ſo very low, that no judgment can be formed concerning the *quantity* of alienation from the ſmallneſs of the ſum. This objection is of no force, as I ſhall preſently ſhow.

We know from the records of the ſelling price of grain in France, which was then remarkably cheap in proportion to the years which followed and which had preceded, that in 1356, the ſeptier of wheat, or 4 Wincheſter buſhels, ſold for 17 ſols 8 deniers of the then currency, which was 12 livres to the marc fine ſilver, and a French ſoldier's allowance for bread, to this day, is 3 ſeptiers, or 12 Wincheſter buſhels a year. Now let me ſuppoſe, that the whole 50,000 livres had been raiſed by this impoſition of $3\frac{1}{3}$ *per cent*, or $\frac{1}{30}$ of the total value of the ſingle article of corn ſold at market, which was far from being the caſe, and then compare that with the number of men who could have been ſubſiſted with all the corn ſold in France at that time.

If $\frac{1}{30}$ of the price was the tax, then by multiplying

50,000 livres by 30, we have the value of the corn ſold; to wit, 1 500 000 livres: divide this ſum by the value of what a man conſumes in a year, to wit, 3 ſeptiers at 17 ſols 8 deniers, which make 2 livres 13 ſols, and the quotient will be the number of portions for a man, to wit, 566 037. So the whole alienation of France, at that time, fell far below the value of as much wheat as would have fed 566 037 men.

What a poor idea does this communicate of the ſtate of Europe only 400 years age! It would be in vain to ſeek for examples to illuſtrate any principle of our complicated modern economy in the hiſtories of thoſe times: their taxes, their credit, and their debts, reſembled ours in nothing but the name.

I now come nearer home, and give an account of the ideas of public credit formed by Davenant, who flouriſhed about the time of the revolution in 1688, which I may take to be the era of public credit in England.

No perſon at that time, whoſe writings I have ſeen, appears to have ſo thoroughly underſtood thoſe matters as Davenant. He was a man of theory, as well as knowledge of facts: he had an opportunity which few people have, to be well inſtructed in the one and the other; and he turned his talents to the beſt advantage for promoting the intereſt of his country. He has writ many tracts on political ſubjects, which, when carefully read and compared with what experience has ſince taught us, caſt great light upon many queſtions relative to the ſubject of this inquiry.

Davenant, like other great men of his time, was of opinion that borrowing money upon what he

calls ſhort funds, was much preferable to that upon perpetual intereſt; and he thought the moſt adviſeable plan of all, could it be accompliſhed, was to raiſe the money wanted within the year.

Men, at that time, had a terror upon them in contracting debts for the public: they conſidered the nation as they would a private man, whoſe intereſt is one, uncompounded, and relative to himſelf alone: in this light, creditors appeared as formidable as enemies; they were looked upon by miniſters as ſuch; and this general opinion on one ſide, contributed, no doubt, to make the monied people leſs intereſted in the diſtreſs of government, and more ready to lay hold of every opportunity of improving ſuch occaſions, for their own advantage.

Government was in conſtant war with creditors: when ready money failed in England, it had nothing to pay with but exchequer tallies, upon the taxes impoſed; theſe were much more eaſily iſſued than acquitted. When the firſt year's amount of a tax was engaged, people conſidered the ſecurity of what was to follow as very precarious; conſequently, the value of it diminiſhed.

This method, however, ſucceeded far better in paying off debts already contracted, than in contracting new ones; and the hardſhips put upon thoſe who had advanced money to government, and who were paid by aſſignments upon taxes previouſly engaged, made people afterwards very diffident, except upon proper ſecurity. The limited form of the Engliſh government, prevented the violent proceedings between miniſters and public creditors, which

were common in France; and this circumſtance contributed, no doubt, to eſtabliſh the credit of the former upon the better footing. But ſtill the long expectation of payment of the capital and intereſt, upon a diſtant fund, made Davenant acknowledge that 700,000 *l.* in ready money, would at any time go farther than a million in tallies, and yet he thought it was better for the ſtate to borrow the million upon a plan of diſcharging the debt in three or four years, than to obtain the 700,000 *l.* at the expenſe of a perpetual intereſt of 8 *per cent.*

There were many more conſiderations which moved Davenant to prefer what he calls ſhort funds to perpetual intereſt.

It was the general opinion in his time (not his own indeed, for he endeavoured to ſhow the fallacy of it) that money borrowed upon the anticipation of a fund, *raiſed and appropriated for the diſcharge of it*, was not a debt upon the ſtate; becauſe it did not diminiſh the former revenue. We have a remarkable inſtance of the prevalence of this opinion, in the famous memorial preſented by M. Deſmaretz to Philip Duke of Orleans, after the death of the late King of France; wherein he advances, that during ſeven campaigns, from 1708 to the peace of Raſtad, while he had been at the head of the King's finances, he had not increaſed the public debts by more than nine millions of livres capital: and yet when he came into the adminiſtration, in 1708, the King's debts did not amount to 700 millions; and we have ſeen, that at the time of his death, they were upwards of 2000 millions. But Deſmaretz did not reckon the

difference of about 1300 millions; becauſe he had ſettled them upon funds of his own creation. This was ſo much the language of the times, that no criticiſm was made upon it.

It is remarkable, that Davenant, in giving an account of the debts of England, during the period of which he writes, that is, from the revolution down to the peace of Ryſwick, hardly ever takes notice of the ſums paid for intereſt upon them. The minds of men at that time were totally taken up with the payment of capitals; and providing theſe could be diſcharged in a few years, it was no matter, they thought, what they coſt in the mean time.

As long as nations at war obſerve the ſame policy in their mothods of raiſing money, the ways in which they proceed are of the leſs importance: but when any one ſtate makes an alteration, by which more money is thrown into their hands than they could formerly obtain; this circumſtance obliges every other ſtate to adopt the ſame method. Thus while Princes made war with the amount of their treaſures and annual income, the balance of their power depended on the balance of ſuch reſources: when they anticipated their income on both ſides, for a few years, the balance was in proportion ſtill: when, afterwards, they adopted long funds and perpetual intereſt, the ſupplies increaſed; but ſtill the balance was determined as formerly.

The uſefulneſs, therefore, of an inquiry into the principles of public credit, has not ſo much for its object to diſcover the intereſt of ſtates in adopting one mode of credit preferably to another, as to diſ-

cover the conſequences of every one; and to point out the methods of making them ſeverally turn out to the beſt account for the ſtate, conſidered as a body politic by itſelf, and for the individuals which compoſe it.

When ſo many different relations are taken in, the ſubject becomes much more complex, and therefore the conſequences *which can only be gueſſed at* muſt be leſs determinate: but on the other hand, it opens the mind, and ſuggeſts many hints which with time may be improved for the good of ſociety.

People who barely relate political facts, only afford an exerciſe to the memory: thoſe who deduce principles, and trace a chain of reaſoning from them, give exerciſe to the underſtanding; and as a ſmall ſpark may raiſe a mighty flame, ſo a hint thrown out by a ſlender genius may ſet all the great men of a nation on a plan of general reformation and improvement.

Let us now take a view of the ſtate of public credit in England, at the peace of Ryſwick; in order to ſhow how Davenant came to be ſo great an enemy to long funds, and more eſpecially to perpetual intereſt. We ſhall at the ſame time point out from what cauſes the great change of ſentiments at preſent proceeds.

At the peace of Ryſwick, the debts of England, according to Davenant, in his fifth diſcourſe upon the public revenues and trade of England, ſtood at 17 552 544*l.* ſterling; call it 17 millions and a half, as we have no occaſion to calculate with exactneſs.

Of this debt the capital of $3\frac{1}{2}$ millions was ſunk, as he calls it; becauſe 1 300 000 *l.* was on lives at 14 *per cent.* and what was over to make up the $3\frac{1}{2}$ millions,

was

was intended to remain a perpetual burden on the nation.

For paying the intereſt of this ſum, no leſs than 400 000 *l.* a year was neceſſary, which makes on the whole above 11 *per cent.*

But then it muſt be obſerved, that more than one third of the ſum was upon lives at 14 *per cent.*: the debt due to the bank, of which we have ſpoken in another place, was 1 200 000 *l.* for which was paid 100 000 *l.* a year, including 4000 *l.* allowed for the charge of management: the remaining million was upon lottery tickets, bearing about 8 *per cent.* the price at which the bank had lent.

The ſecond branch of debts was near 11 millions, which, he ſays, were in courſe of payment; becauſe they were ſecured upon branches of revenue engaged for diſcharging them. A part of this claſs of debts was to be extinguiſhed in the year 1700: and whenever that was done, then a proportion of the appropriated taxes, amounting yearly to above a million ſterling, was immediately to be taken off.

The third claſs of debts were thoſe not provided for at all; which in the place referred to, he makes to amount to no more than 3 200 000 *l.* but he afterwards finds his miſtake, and that they in fact amounted to above 5 millions and a half, which makes the debts of England at the peace of Ryſwick, to have been near 20 millions.

Was it then any wonder, that a man who wiſhed well to his country, ſhould prefer borrowing upon ſhort funds at any expenſe whatever in the mean time, rather than at perpetual intereſt, when he

found that parliaments could not be prevailed upon to allow any tax to ſubſiſt one inſtant after the diſcharge of the debts for the payment of which it had been appropriated?

Beſides, there was very little to be gained by borrowing upon long funds and perpetual intereſt, as long as the lenders conſidered their advantage to conſiſt principally in getting their capitals refunded.

The plain matter of fact was, that trade at that time was only beginning to take root in England, and demanded funds to carry it on. The uſe of banks had not then been diſcovered, for turning property into money. Circulation, conſequently, was confined to the coin; and profits on trade were very great. All theſe circumſtances rendered capitals of eſſential uſe; and the conſequence was, to raiſe intereſt to an exceſſive height.

Compare this ſituation with the preſent. Were the capital of 140 millions ſterling thrown by Great Britain, in a few years, into the hands of the preſent creditors; were France, on the other hand, to throw in as much, what trade could abſorb it? Capitals now are only of value in proportion to the intereſt they bring; and ſo long as the intereſt paid on public debts is ſufficient to keep circulation full, and no more, intereſt will ſtand as it is: when that ceaſes to be the caſe, as in time of war, we ſee intereſt begins to riſe; and when, on the other hand, the intereſt paid, proves more than ſufficient for the uſes of circulation, as upon a return of peace, then, from the ſame principles, intereſt muſt diminiſh.

Davenant, like an able politician, who had the ſtate of facts before him, reaſoned according to actual

circumſtances. Whatever was borrowed on long funds, was charged on the ſtanding revenue of the ſtate, which parliament was very unwilling to increaſe in proportion to the charges laid upon it. This, of itſelf, was argument ſufficient with him to caſt his view upon ſhort appropriations, or upon his favorite object, of raiſing money within the year, to ſupply the exigencies of the ſtate.

But in this operation he found great difficulties. In his treatiſe of ways and means, article *exciſes*, where he is ſearching for expedients to provide money for the war, he plainly ſhows a thorough knowledge of that impoſition. It had taken place in England as far back as the great civil war, and formed at the revolution about ſ3 of all the revenue: but what is very extraordinary, and which at preſent will hardly be credited, the exciſe had at that time the effect of ſinking the price of the ſubject exciſed, inſtead of raiſing the price of what was produced from it. Thus the exciſe upon malt, after the revolution, had the effect of lowering the price of barley, inſtead of raiſing the price of beer.

This effect of exciſes Davenant ſaw; from which he, and ſince him many more have concluded, that all exciſes fall ultimately upon the land.

This circumſtance, together with a feeling for the intereſt of the great number of *idle* poor at that time, who muſt conſtantly ſuffer by exciſes, engaged Davenant to propoſe having recourſe to the land-property and poll taxes, for raiſing, within the year, the ſums required for carrying on the war.

According to his propoſal, there was to be no leſs than 3 millions raiſed by a land tax, beſides half a

million by a quarterly poll, which was, at that time, above 100,000 *l.* more than all the permanent taxes of England put together.

A propoſal of this kind coming from Davenant, ſhows the difference of ſituation between thoſe times and the preſent. On this ſubject more is to be learned by comparing facts, than by all the reaſoning in the world.

We have ſeen how credit ſtood in England during the reign of William III. It was then in its infancy, and was ſet upon the principles of a free and limited authority, exerciſed by miniſters of ſtate at all times reſponſible to parliament at the riſk of their heads, in caſe of any open violation of the public faith. This is the beſt of all ſecurities againſt the bad exerciſe of power.

Whoever reads the admirable writings of Davenant, and compares his ideas with what experience has ſince taught us, concerning the nature of taxes and public credit, will plainly diſcover that the great diſtreſs of England at that time, proceeded from the following cauſes.

The enterpriſe they were engaged in, was far beyond their power to ſupport, although they had the greateſt part of Europe to aſſiſt them.

The bravery of the Britiſh nation was ill ſupported with money the ſinews of war.

The coin ſoon after the revolution fell into the greateſt diſorder, which ſent it away; and no expedient was found to ſupply its place for the uſes of domeſtic circulation; and, conſequently, the fixed revenue could not be paid, nor induſtry carried on.

The people were unaccuſtomed to taxes: tunnage and poundage, the branch with which they were beſt acquainted, and which they bore with the leaſt murmuring, becauſe it was little felt by individuals, together with the exciſe upon beer and ale, the hearth money, the poſt-houſe, and wine licences, compoſed the whole of the permanent revenue of the ſtate, and amounted to about one million and a half ſterling: beſides which, the parliament had granted new cuſtoms (all to ceaſe before 1690) to the amount of about half a million more, upon wines, tobacco, ſugar, and French linen. This was the ſtate of the revenue at the revolution.

One would imagine that England, under ſo ſmall a burden, might have been able to make the greateſt efforts.

Were we now to grapple with France, under ſuch circumſtances what ſanguine hopes would we not form of ſucceſs! The caſe turned out widely different the firſt benefit the nation expected in conſequence of their liberty reſtored, was an abolition of the hearth money; a tax which raiſed over the whole kingdom, 245,000 *l.* and was conſidered as an inſupportable burden.

Such ſentiments and diſpoſitions in the Engliſh nation, might have been a ſufficient indication of what was to be expected from the war; the conſequences of which had before 1695, produced the following changes in the revenue.

The tunnage and poundage, which at the revolution produced 600,000 *l.* was by this time reduced to 286,687 *l.*

The excise upon beer and ale, from 656,383 *l.* was reduced to 391,275 *l.*

The hearth money was abolished.

The post-house, from 65.000 *l.* was reduced to 63.517 *l.*

The wine-licences, from 10, 000 *l.* to 5000 *l.*

The temporary customs which subsisted at the revolution, were now expired, and had been either continued by new grants, or by others of the same nature introduced in their stead. The former had produced 415. 472 *l.* the new produced 373.839 *l.*

The last and most important grant of all, was an additional excise upon beer and ale, which produced 450,000 *l.*

The revenue at the revolution produced, clear of all charges, 2 001 855 *l* sterling. A revenue established at pretty much the same rate, and nearly on the same objects, with an addition of a new excise, which produced 450,000 *l.* produced net in 1694, no more than 1 570 318 *l.* so that, deducting the new excise, the old revenue was diminished in its produce, no less than 1 081 527 *l.* or above one half, in five years time.

In a country like England, at that time, taxes were of little use to the state, and were an excessive burden on the people.

What could they be paid out of? Not out of the value in the hands of the people; because there was no way provided for turning that value into money. The whole of the money coined before the end of the war in 1697, did not amount to 8 millions. It was not to be expected that during the war, foreign coin

was to come in, except in conſequence of borrowing; and we may be very certain, that all that was borrowed, and a great part of what had been coined at home, had gone out from the year 1695 to 1697. Under theſe circumſtances, the exchequer iſſued tallies of wood, a notable expedient for facilitating circulation! And the bank of England lent not one farthing upon mortgage: all that was poſſible to be raiſed on the land and on the people, by pound-rate, aſſeſſment, and poll tax, was impoſed.

Now let us recal our principles concerning circulation, alienation, and banking upon mortgage, and combine theſe with what we have ſo frequently repeated, and I think demonſtrated, viz. that in proportion to the extent of alienation, and the demands for money, a circulating equivalent ſhould be provided, ſo as to be ready at the hand of every perſon who has property to pledge for it; and then decide whether it was any wonder that credit in England ſhould have been at ſo low an ebb at the peace of Ryſwick; that taxes ſhould have diminiſhed in their produce; that intereſt ſhould have riſen to ſuch an extravagant height; that the people ſhould have groaned under a load from which they could not relieve themſelves.

Under ſuch circumſtances, England appears to me in the light of a dumb man put to the torture in order to extort a confeſſion.

Were eight or nine millions ſterling in coin, and a few wooden ſticks, the tallies, conſtantly ſold at a great diſcount, a circulating value ſufficient to ſupply the exigencies of a ſtate which was ſpending annually at the rate of five or ſix millions?

The conſequence of this total drain of money, was, that people could neither conſume exciſeable commodities, or pay the taxes laid upon their perſons and ſolid property.

The exciſes failed, becauſe the body of the people, who paid them, were interrupted in their induſtry, for want of money to carry on alienation. Thoſe who were liable to the arbitrary impoſitions, ſuch as the landlords, could not pay; becauſe what they had, their land, could not be given in payment.

From what I have here laid together, we may determine, that as alienations among individuals cannot exceed the proportion of the circulating equivalent of a country, ſo a ſtateſman when he intends *ſuddenly* to augment the taxes of his people, without interrupting their induſtry, which then becomes ſtill more neceſſary than ever, ſhould augment the circulating equivalent in proportion to the additional demand for it.

This according to my notions, cannot be ſo well compaſſed as, 1. by eſtabliſhing banks of circulation upon mortgage: 2. by relieving thoſe companies of the load of paying foreign balances by giving bills at par, or at a ſmall exchange: and 3. by providing funds abroad for the payment of them, according to the principles above deduced.

Such expedients will work their effect, in a nation where the public faith ſtands upon the ſolid ſecurity of an honeſt parliament, and upon that reſponſibility which is fixed upon thoſe who are truſted with the exertions of the royal authority.

I think I may illuſtrate this operation by a ſimile.

A gentleman chuſes to form a caſcade of the water which ſerves to turn his corn-mill; conſequently, the mill ſtops: but in its ſtead, he immediately erects another which turns with the wind. Coin is the water, bank paper is the wind, and both are equally well calculated for the uſe they are put to.

CHAP. IV.

Of the State of public Credit in France before the reign of Louis XIV. *and of the Sentiment of the great Richlieu upon that Subject.*

HAVING laid before my reader the ſentiments of Davenant on the ſubject of public credit, which were analogous to the then ſtate of England, it may be inſtructive to compare them with thoſe of another very great man, in a rival nation; I mean the Cardinal de Richlieu.

The conſtitution of Great Britain at preſent, is pretty much what it was in Davenant's time: and that of France does not differ widely from what it was at the death of Louis XIII.

Britain and France are two nations, rivals in every thing worthy of emulation, and ſimilar in thoſe diſtreſſes which are the inſeparable concomitants of modern ambition, debts and taxes.

As long as the conſtitution of the two governments ſhall ſtand as at preſent, Britain will conſtantly have the advantage in borrowing: France will have it in

paying off her debts. It is this contract which engages me to enter into the following detail. I conſider it not only as a piece of hiſtorical curioſity, but as a ſubject of profound reflection, from which much inſtruction may be gathered.

The fate of kingly power was decided, both in Britain and in France, much about the ſame time. In France, it was ſupported by Cardinal de Richlieu; in Britain, it was broken to pieces under Charles I.

Before that time there was no fixed form of government eſtabliſhed in either country; nor can ever a regular conſtitution take place any where, until the mechaniſm of a ſtate becomes ſo complex as to render changes extremely difficult. This is becoming the caſe more and more every day; and upon this and nothing elſe will depend the ſtability of our preſent forms.

Let us now take a view of the ſentiments of a great miniſter, delivered in writing by himſelf, in his political teſtament; the authority of which would never have been called in queſtion, had the matter it contains been properly attended to, and well underſtood.

It is in the 7th paragraph of the 9th chapter of the teſtament, where the Cardinal ſhows his ability in paying off the debts of France: and in going through the ſubject, he caſually has thrown out ſeveral things, which enable us to form a judgment of the ſtate of taxes, and of the effects they were found to produce in his time.

"It is pedantry," ſays he, "to maintain that a "prince has no right to draw money from his

" ſubjects, and that he ought to content himſelf " with the poſſeſſion of their hearts. None, how- " ever, but flatterers, the peſt of ſociety, can main- " tain, that he may draw from them, juſtly, what- " ever he thinks fit and that his right extends, in this " particular, as far as his will."

The taxes of France at this time had been augmented far beyond their due proportion; and this had produced many ſtrange and contradictory phenomena; which, as we ſhall now ſee, miſled the Cardinal in many reſpects; becauſe his experience was not ſufficient to diſcover the cauſes of them.

" The augmentation of impoſitions on the people," " ſays he, does the King *ſo much* hurt by raiſing " prices, as to compenſate all he can gain." If we ſuppoſe that the King gained by the augmentation; that is to ſay, that the tax, when increaſed, really produced more than before, and raiſed prices proportionally; then the King could only loſe his proportional part, but never the whole. If the tax, by being augmented, produced leſs than before, which was the caſe often, then he loſt by a diminution upon his income, not by the riſe of prices. But this was not the caſe; becauſe deficiencies of that kind could not fall upon the King, but upon his farmers.

The true reaſon was, that the King paid moſt of his expenſes by aſſignments upon the taxes; and then, no doubt, the higher they were raiſed, and the more difficult to recover, the dearer every undertaking would coſt the King.

This reaſoning upon the effect of taxes ſhows, that at that time the doctrine of them was not well under-

ſtood No wonder: theory is not ſufficient to lay open political conſequences, even to the greateſt genius. All our information as to theſe matters ariſes from experience, and all our inſtruction from our attention and reflection.

As a proof of this, he mentions, almoſt in the ſame place, an effect of the increaſe of taxes, which is quite contrary to the former.

"Conſumption," ſays he, "diminiſhes as taxes "augment."

This is a contingent, but not a neceſſary conſequence, as we have ſeen, and has the effect of lowering prices.

I mention theſe particulars, only to ſhow how little this great man had ſtudied the principles of taxation, or combined the cauſes of thoſe phenomena which he ſaw ariſing from them.

Such contrary effects could not fail to be felt, when taxes were raiſed in the manner uſual at that time, and when no method was contrived for augmenting the currency.

In Richlieu's time the cuſtom was to treat with the *partiſans*, as they were called, or undertakers for the farm of taxes; and for a ſum of money, valued at a certain intereſt, to give them a right to levy certain impoſitions on the people, eſteemed equivalent to the rate agreed upon; ſome in one province, ſome in another, as the parties could agree. Then the partiſans fell to work with the people, and committed the moſt horrid extortions. In the 4th §. of his 4th chapter, he ſays, "The abuſe is carried ſuch a "length, as to be quite inſupportable, and muſt

"end in the ruin of the ſtate; the people are plun-
" dered, not taxed; fortunes are made by rapine,
" not induſtry: uſing the partiſans like ſponges is
" very juſt; but liable, on the other hand, to great
" abuſe, when not conducted with moderation and
" juſtice." This is a very different ſyſtem of taxation from that carried on in England in Davenant's time, and muſt have produced effects very diſſimilar.

But it may be aſked, if theſe partiſans in France had found out means of raiſing money, far beyond the King's intention; what prevented the Cardinal from examining into ſuch means, and uſing them in a gentle and equitable manner, to the extent only of ſatisfying the creditors for the money borrowed from them?

In thoſe days ſeveral difficulties occurred, which rendered this expedient impracticable.

1*mo*, The partiſans would lend in no other way; they would have nothing to do with the King as a debtor: his credit was not well eſtabliſhed; and by having the direct adminiſtration of a tax, they conſidered themſelves as more ſecure.

2*do*, Had the King levied the money on the people, and been paymaſter to the creditors himſelf, there would have been no gains to the partiſans but what were ſtipulated: had they exacted more than legal intereſt, they expoſed themſelves to great danger; and conſequently would not lend. So by delivering up the people to be plundered, the King made a better bargain, he thought, than any other way; and if the partiſans plundered the people, the Cardinal plundered them in his turn.

3*tio*, At this time there were not, as now, merchants of extenſive credit, and fair character, who ſerve as interpoſed perſons for the whole money'd intereſt in Europe, and who can fill a ſubſcription for millions with a ſingle name.

The partiſans themſelves, as the Cardinal obſerves, had often neither money or credit at ſetting out: by parcelling their undertaking into many hands, they got together what was neceſſary. Thus the ſubaltern aſſociates were in a moment, like locuſts, ſpread over the whole face of the country, and plundering went on in every quarter.

This repreſents a quite different ſyſtem of credit from what we ſee eſtabliſhed, even in France, at preſent; where the tax-gatherers are ſtill loudly complained of, though much more than they deſerve. The mode of raiſing the taxes is now moſt exactly ſpecified by the King; and nothing more can be exacted than according to the plan laid down; but in every caſe ſevere penalties are impoſed upon frauds, and when levied, are accounted for to the farmers; but when compounded for under hand, ſink into private men's pockets.

In a country where taxes are rightly eſtabliſhed, induſtrious people have no occaſion to indemnify themſelves by fraud for the taxes they pay; they have a more certain method of being refunded. This ſhall be explained in its proper place.

By this method of oppreſſion in the Cardinal's time, a great part of the odium was removed from the King, and caſt upon the partiſans. The people reſembled a dog who bites the ſtick with

which he has been ſtruck, inſtead of biting him who holds it *.

I have now ſaid enough to point out the method of borrowing money in France at this time, from which the nature of the ſecurity may eaſily be gethered.

* Thus were taxes eſtabliſhed in France, in ſpight of the great averſion of that nation to them. The exigencies of the ſtate were apparent; Princes were conſidered as under an abſolute neceſſity to find money at any rate; they appeared to be in the hands of unrelenting uſurers, who became the execration of the people, to whoſe fury they were ſometimes delivered over, when ſtripped of their wealth: the people were now and then relieved of a part of their burden; the tax remained under milder management; formed an addition to the King's revenue, and ſerved as a fund for future emergencies.

But the nature of man is ſuch, that the more he grows in wealth, the more the deſire of ſpending it increaſes. Thus the fund provided for unforeſeen emergencies, is inſenſibly incorporated with that which is appropriated for the current ſervice of the ſtate.

Nothing however is more certain than that in time of war, far greater ſums are required than any people can pay, without contracting debts.

Is it not then indiſpenſibly neceſſary, either, 1*mo*, To have a ſum locked up in treaſure? Or, 2*do*, A fund appropriated, to borrow upon in time of war, which may ſerve to pay off the debts in time of peace? Or, 3*tio*, To borrow upon the ſtipulation of an annual payment, which may, in a certain number of years, acquit both intereſt and principal?

The firſt is the plan of the King of Pruſſia; the ſecond that of England; the third is, in a good meaſure, that of France: Holland borrows no more, and pays as ſhe can what ſhe owes; Spain lives on her income; and Auſtria remained in the old way till very lately, without credit, and conſequently without much debt.

The Cardinal, upon the ſuppoſition of an approaching peace, enters into the plan of paying off what had been contracted. He was reſolved to preſerve credit; for even at that time, the conſequence of that great engine was ſufficiently felt by this great man, to relieve the people, and to get rid of the debts.

After a long detail of all the branches of the revenue, and after ſhowing how they might be improved, he draws out a general ſtate of them, and of the debts affecting them; and then adds, "The total "revenue of the kingdom amounts to near 80 "millions;" (the ſilver was then at 27 livres 10 ſols the marc fine, which, valued at 2 *l.* 4 *s.* ſterling, makes the 80 millions worth above 6 millions ſterling) "of which there is above 45 millions engaged "for the debts. By good management I pretend "that this immenſe load of debts, which ſeems to "be the ruin of the King, ſhall turn out to his "eaſe and opulence. Some imagine it would be a "right meaſure to free the ſtate entirely of her "burden, (a general ſponge) but as ſhe cannot "certainly, ſupport all the burden, ſo neither "does reaſon dictate that ſhe ſhould be entirely ſet "free." No modern ſtateſman could form a better judgment of things. The Cardinal's ideas are juſt and profound; and it is aſtoniſhing how a man uninſtructed by our experience ſhould ſee ſo far into remote conſequences.

He next lays down different ſchemes for paying the debts, upon the return of peace and tranquillity. They are all arbitrary, more or leſs, according to the

the ſtandard of Engliſh ideas of credit. But if we abſtract from one expedient lately diſcovered, to wit, the diminiſhing the intereſt, and allowing the capitals to remain, I doubt if any modern ſtateſman could diſcover any other than thoſe which the Cardinal has propoſed.

A preliminary ſtep to all his ſchemes was, *by an act of power*, to reduce the debts which bore a higher intereſt, to that of the 16 penny, or to a little more than 6 *per cent.* This method of reduction has conſtantly been and is ſtill practiſed in France.

Then he propoſes to enter into an account with the creditors for the ſums they had received; and to conſider whatever they had obtained above the legal intereſt, as payments in part of the capital.

This ſcheme however he rejects, upon examination. He ſays it is agreeable to equity; but it would have the effect of totally deſtroying all credit for the future.

The ſecond expedient was, to reimburſe the creditors the ſums which they really paid for the annuities aſſigned to them: but that he found impoſſible to verify, becauſe they had had the addreſs to ſpecify, in their contracts, ſums far exceeding what they really paid. For this reaſon he rejects the ſecond expedient alſo; and adopts a third, as the beſt plan of any for paying off the debts. This was, to value the capitals at what they then ſold for in the market, before the peace was concluded.

This method appeared to the Cardinal the moſt equitable, at leaſt he ſays ſo, and the only one practicable; but in my opinion it was the moſt arbitrary of the three; the moſt liable to abuſe, and the moſt

oppoſite to the principles of public credit, as at preſent eſtabliſhed: and yet it is a thought, which, when conducted with juſtice, may upon ſome occaſions anſwer excellent purpoſes, as I ſhall obſerve in a proper place.

Had he adopted the firſt expedient, of aſcertaining the value of the real advance, there was an appearance of juſtice; becauſe the creditors were thereby repreſented as uſurers; and by repaying them what they had advanced, by the enjoyment of an income above the legal intereſt, he treated them with more indulgence than the laws allow between private perſons: but when money was borrowed in time of war, a higher intereſt ſhould have been allowed for it than in time of peace, when it was to be paid off; and therefore to take the ſtandard of peace, in reckoning with the creditors who had lent in time of war, was an evident injuſtice.

Could he, according to the ſecond ſcheme, have diſcovered exactly the ſums which had been paid for the annuities given, and offered reimburſements upon that footing, leſs could have been ſaid againſt it; becauſe the mentioning more in the contract than what had been paid, was a palpable fraud againſt the King.

The third method, which the Cardinal approves of, contains this piece of great injuſtice, that the ancient creditors of the ſtate who had paid 12 years purchaſe for their contracts, that is, thoſe who had lent at about 8 *per cent.* might by this ſcheme be paid off with one half of what they originally paid. If it be anſwered, that nothing is worth more than what it can bring; I anſwer, that it may be worth more than

what it can bring *at a particular time.* During a war, an annuity which had been bought at 12 years purchaſe in time of peace, will fall to five, providing annuities can then be bought at that rate. The new loans conſtantly regulate the value of the old capitals; but upon a return of peace, they will riſe to the original value.

Another injuſtice here was, that a miniſter, by borrowing a ſum at a very high intereſt, at a time he wanted to ſet a value on the capitals, might ſink this value. And, in the third place, the greateſt injuſtice of all conſiſted in this, that the Cardinal had no thoughts of any reimburſement, as we ſhall ſee by what follows.

There was, at this time, one claſs of annuities conſtituted at 8 *per cent.* Theſe he propoſed to reduce to 6 *per cent.* as above, by his preliminary operation. Such annuities ſold at that time for five years purchaſe. Theſe, ſays the Cardinal, *we muſt fix at that value*; and by allowing the proprietors to enjoy them for 7 1/2 years, the capital and intereſt will be paid off.

Other annuities conſtituted upon the *taille* ſold for ſix years purchaſe, which, by the ſame rule, were to be paid off in 8 1/2 years.

The annuities and other debts charged at this time upon the *taille* alone, amounted to 26 millions a year; and by this ſcheme, the whole was to be paid off in 8 1/2 years.

Beſides theſe, there were engagements upon other branches of the revenue, which ſold at different prices. All were to be ſet upon a proportional footing. The annuities which ſold the deareſt,

were at 7 1/2 years purchaſe, which were to be paid in 11 1/2 years.

Thus, by the Cardinal's ſcheme, the debts of France, which at this time bore an intereſt of about 45 millions, were entirely to be paid off, in about 12 years, without any new impoſition; and when that was concluded, the lands were to be diſcharged of 26 millions of yearly *taille*, near two millions ſterling, and the King was to have a clear revenue of 53 millions, or about 4 millions of our money, which with the 26 millions taken off the *taille*, make 79 millions; the total amount of the French revenue at that time.

I ſhall now point out the characteriſtic differences between the principles upon which the credit of England and France were eſtabliſhed, at the two periods of which we have been ſpeaking.

Had two ſuch writers as Davenant and Richlieu been to be met with in the ſame age, and at a time when England and France were engaged in contracting debts, the contraſt would have been ſtronger; but as it is, it ſuits our purpoſe. The debts contracted in France from 1708, when credit fell, to the end of the war in 1714, were in conſequence of rapine and extortion, as in Richlieu's time: and the operations upon them, after the peace of Utrecht, reſemble thoſe of Richlieu in ſome very material circumſtances. Such as, *1mo*, That all the debts were then, by an act of power, put a 4 *per cent.* without any regard to the original ſtipulations. *2do*, That what the Cardinal deſpaired of accompliſhing, the Regent undertook, and

executed, at a great expenſe to the King, and with great injuſtice to many individuals.

He eſtabliſhed a commiſſion, called the *viſa*, to inquire into the unfunded debts, which amounted to 600 millions. His intention was, to diſcover the effective ſums which had been paid for the grounds of debt. The moſt favorable claſſes of theſe debts conſiſted in arrears of pay to the army, indemnities for pillage, and the like, conſtituted by notes iſſued from the office called the *extraordinaires des guerres*, which were diminiſhed 1/5; the ſecond claſs was diminiſhed 2/5; the third claſs 3/5; and the laſt of all, ſums due to brokers, uſurers, &c. were diminiſhed 4/5.

But alas! there was not the leaſt ſhadow of juſtice in this operation; becauſe long before the *viſa* was eſtabliſhed, moſt of the grounds of thoſe debts had circulated from hand to hand, under the greateſt diſcredit: ſo that the real ſufferers were then beyond the reach of the indemnity offered; and the uſurers and brokers who had bought them up, were thoſe who made fortunes by them. The Cardinal's plan of paying at the ſelling price, would have proved, *in this particular caſe*, more rational, and more according to equity, than any other: ſo greatly do circumſtances influence our deciſions in all political matters!

By the *viſa*, the 600 millions were reduced to 250 millions, and put at 4 *per cent.* like all the other debts. No plan was propoſed at firſt for paying off the capitals; but a ſum was appropriated, though very ill paid, for diſcharging the intereſt. We have diſcuſſed ſufficiently the famous operations of

the Miſſiſippi; by which an attempt was made to throw the whole national debt on the company of the Indies; and we have ſeen how it ſucceeded.

The diſtance, therefore, of Richlieu's time, from Davenant's, occaſions very little deception in comparing the principles of French and Engliſh credit: and when we come to examine the preſent ſtate of that queſtion, I am afraid we ſhall find, in France, enough of the old ſyſtem ſtill remaining, to verify my obſervation, that the French have the advantage in paying their debts; the Engliſh, in contracting them. Where the balance of advantage may lie, will be the ſubject of more ſpeculation.

The firſt eſſential difference I find between the credit of France and that of England, in the two periods we are conſidering, relates to the *coin*. In the firſt, the value of *it* had been very well preſerved: no conſiderable alteration had been made upon *it*, from 1602 to 1636, that the Cardinal raiſed the denomination of the marc of fine ſilver, from 22 livres to 27 livres 10 ſols, as has been ſaid. Whereas from the revolution, until the eſtabliſhment of the bank in 1695, the *coin* had ſuffered in England a debaſement from clipping, of near 50 *per cent.* This circumſtance, more than any other, affected the credit of England, and increaſed the expenſe of King William's war. In Richlieu's time, circulation and trade had made more progreſs in France than in England at the time Davenant lived. The revenue left by Henry the Fourth was double to that of England at the revolution: and, in general, the

income of the Kings of France had far exceeded that of the Kings of England, for many reigns before that of the great Henry. Borrowing alſo, upon a fixed and permanent intereſt, had been known in France ſo far back as Francis the Firſt.

That Prince was the firſt, I find who contracted a regular debt, at perpetual intereſt, upon the town-houſe of Paris, at about 8 *per cent.* when the legal intereſt in England, under his contemporary Henry the Eighth, was 10 *per cent.*

The predeceſſor of Francis, Louis XII had of groſs revenue, charged with his debts, which eat up near one half, above 2,500,000 *l.* ſterling. Dutot, Réflex. Pol. Vol. I. p. 204. Francis I. left to his ſucceſſor in 1546, a groſs revenue of 2,685,314 *l.* ſterling, and of nett income 2,287,998 *l.* according to Dutot and M. de Sulli.

Under Henry II. and Francis II. the groſs revenue ſtood at about 2,618,000 *l.* ſterling.

Under Charles the IXth, I have not been able to diſcover any thing which can be relied upon: but his ſucceſſor Henry III. according to Sulli, had, in 1581, a revenue of 3,250,000 *l.* ſterling, and left only about 16 millions of livres of debt, which was no great ſum.

To this Henry IV. ſucceeded; and by the capacity and unwearied application of his great miniſter M. de Sulli, it was raiſed to above ſix millions ſterling, at the beginning of the reign of Louis XIII. This revenue, by wars and his expenſes, was left greatly incumbered; but ſtill the taxes were eſtabliſhed which brought it in; and ſo early in the reign of his ſucceſſor

Louis XIV. as the year 1683. his revenue extended to no leſs than 9 182,914 *l.* ſterling, according to Dutot. Réflex. Pol. Vol II. p 256 *.

Let any man, acquainted in the leaſt with the hiſtory of England, examine the fixed revenue there, under Henry VII. and VIII. and Edward, Mary, and Elizabeth, and their ſucceſſors, down to the revolution; and they will evidently ſee the great diſproportion of wealth, proceeding from taxes, in the one and the other kingdom.

From theſe facts I conclude, that debts and taxes in France were much more familiarly known in Richlieu's time, than poſſibly they could be in England when Davenant wrote.

Public credit had long grown up in that kingdom, under the hard influence of regal power: whereas in this it had ſprung up lately, under the protection of liberty, and a moſt limited authority.

To that cauſe I aſcribe the difference we find between the principles of Engliſh and French credit; and to an effect ſimilar to the cauſe I aſcribe the gigantic ſteps by which Britain has outſtripped her powerful rival in the eſtabliſhment of her credit, ſince the beginning of this century.

It is folly to prophecy, I know; but I may be allowed to conjecture, that the ſame cauſes which have raiſed the credit of this nation to ſuch an amazing height, will either force the French from their old principles, or they will, ſome time or other, bury her credit in the duſt.

* Theſe ſums are all converted into ſterling, according to the value of the French livre at the different periods here mentioned.

Had one half of the acts of power been exerted with us, which have been so familiar in France: had half the liberties been taken, in tampering with the claims of creditors; a total bankruptcy would long ere now have been the consequence: but in Britain credit is young; and has been tenderly reared. In France she is old, and has been accustomed for many ages to rougher usage. But example works wonderful effects, especially when nations live together in this great European society; and the advantages of a security to be depended on will every day more and more engage the money'd interest to prefer this to any violent and precarious profits.

How nicely does not Davenant employ political arithmetic, in order to make true estimates of the taxes to be imposed, and appropriated for a term of years, for extinguishing principal and interest? How exactly has not the account between the state and the bank been carried on from 1695, to this day? How faithfully have not all parliamentary engagements been observed? When, in 1749, a most natural operation was performed, to reduce the interest of the debt of Great Britain, by gentle steps, from 4 to 3 *per cent.* what an outcry did it not make, although an alternative was left to the creditors, either to receive an actual reimbursement, or to accept of the new terms? The credit of Great Britain must have appeared to France in the light of a pettish child, educated in the house of a too indulgent parent: her own is not treated with such gentleness; and when our money-jobbers try their hand at Paris, and meet with disappointments from unexpected acts of council; to prevent the laugh going against them,

for truſting to the credit of France, they turn it off by a jeſt, and pretend that they were only playing as at the Groom-Porter's, or in Change-Alley.

In a word, what would totally ruin the credit of England, does not equally affect that of France. An act of power there, no doubt, throws a damp upon it for a time; and if that act of power takes place at a critical juncture, it may coſt her very dear; as it has lately coſt her the continent of North America; which, I think, was ſold for 32 millions, with-held from her creditors, for a ſhort time in the end of 1759. But this act of power, and many others ſince, have not ruined the credit of France: many truſt her ſtill; only thoſe who purchaſe in her funds, at preſent, take about 2 *per cent.* off from their intereſt, as a premium for the inſurance of her good faith, until ſhe recovers her mercantile reputation*.

CHAP. V.

Of the preſent ſtate of public Credit in Great Britain.

WE have, in a preceding chapter, given a general view of the ſtate of public credit in England, at the end of the laſt century. In this, I ſhall briefly run through the moſt remarkable revolutions, both in ſentiments and events, which have ſucceeded ſince that time.

At the revolution the revenue of England was about two millions ſterling, affected by two debts. The firſt

* Money inveſted in the French funds, *anno* 1766, will bring the purchaſer 6 *per cent.* This I conſider as 4 *per cent.* for the intereſt and 2 *per cent.* premium for the riſk; and were ſhe now to borrow any conſiderable ſums, I ſuppoſe the inſurance would riſe in proportion.

was called the bankers debt, contracted by Charles II. and, by letters patent, charged upon his hereditary exciſe, to the amount of upwards of 1 300 000 *l.* This debt was reduced to one half, in the laſt years of King William, and put at 6 *per cent* perpetual annuity, to commence from 1706. The other was a debt of 60,000 *l.* due to that Prince's ſervants, neglected to be paid by his ſucceſſor, and diſcharged after the revolution.

At the peace of Ryſwick, the national debt amounted to about 20 millions. The branches of taxes ſubſiſting at the revolution, and continued till then, produced no more than about 800,000 *l.*; but by additional taxes laid on in the reign of King William, the whole revenue extended to 3, 355 499 *l.* of which above one million was to ceaſe before 1700, as has been ſaid. This reduced the revenue, at the beginning of Queen Anne's reign, to nearly what it had been at the revolution: out of which if we deduct the intereſt of the national debt then ſubſiſting, and the expenſe of the civil liſt, we ſhall diſcover the extent of the funds prepared for engaging in the war with France; and then by comparing the ſtate of the nation at her ſucceſſion, with what it was at her death, we ſhall form a general notion of the progreſs of credit, debts and taxes in England during that period.

The revenue of England at the acceſſion of Queen Anne may be ſtated at about - - - - - - - -		£ 2 272 000
The debts ſubſiſting on the 31ſt of December 1701 were - - - - -	£ 6 748 780	
Upon which the annual intereſt was -	566 165	
Queen Anne's civil liſt * : - -	600 000	
Which two ſum amounting to - - - -		1 166 165
Being deducted from the revenue there will remain for the current ſervice of the ſtate -		1 105 835

* The Queen got from parliament 700,000 l. for her

What the exact amount of the revenue of England was at the death of the Queen, I cannot juſtly ſay. But as it may be comprehended under the three general branches of cuſtoms, exciſes, and other inland duties we may form a gueſs at it, though imperfectly I allow, from the number of articles in each.

At her acceſſion, the cuſtoms comprehended fifteen articles; at her death, they amounted to thirty-ſeven: at her acceſſion, the exciſes comprehended ten articles; at her death, they amounted to twenty-ſeven: at her acceſſion, the other inland duties comprehended eight articles: at her death, they amounted to ſixteen, including the land tax, then become in a manner perpetual, although laid on from year to year.

At her acceſſion, the public debts amounted (as above) to near ſeven millions, at her death they exceeded fifty millions.

In fourteen years, from the revolution to her acceſſion, the money granted by parliament, partly raiſed on the ſubject, and partly borrowed, or taken credit for, according to the cuſtom of the times, amounted to above fifty-five millions During the 13 years of Queen Anne, the money granted by parliament raiſed on the ſubject, or borrowed as above, amounted to upwards of 80 millions.

By this general ſketch I do not mean to enter into exact details: facts muſt be ſought for in books which treat of facts; our chief object is to examine the principles upon which the public credit was ſupported, let the exact ſum of money raiſed be what it will.

civil liſt; but ſhe immediately ordered 100,000 l. to be annually paid to the uſes of the war.

The expenſes of the French war firſt engaged the nation to revive thoſe taxes which had been ſuppreſſed; and to impoſe many others for a conſiderable number of years, in proportion to the money borrowed upon them, according to the principles of the former reign.

In 1720, intereſt was ſo low, that government got money at 5 *per cent.* It continued ſo till 1704, when ſome loans began to be made at 6 *per cent.* and at this rate it ſtood during the war.

But in 1706, the exigencies of government were far greater than what all the money to be borrowed, or raiſed on the ſubject, could ſupply. This opened a door to the abuſe of paying the growing deficiencies upon the taxes with exchequer bills, chargeable on diſtant funds. Theſe fell conſtantly to great diſcount; and the unhappy ſervants of the ſtate who received them in payment, were obliged to diſpoſe of them to people who could wait for an uſurious reimburſement by parliament.

When thoſe exchequer bills had once got into the hands of the monied people, they had intereſt with government to engage the bank to circulate them at 6 *per cent* intereſt: but as the funds upon which they were ſecured happened at that time, 1706, to be engaged for diſcharging debts previouſly contracted, the bank, during that interval, could receive no payment of this intereſt of 6 *per cent.* ſo the expedient fallen upon, was to pay the bank compound intereſt for all the tallies and bills they were to diſcount, until the funds appropriated ſhould be relieved.

This expedient, bad as it was, and burdenſome to the ſtate in the higheſt degree, proved of infinite ſervice, both in eſtabliſhing the credit of exchequer bills, and relieving thoſe who received payment in them.

This operation was quite ſimilar to thoſe of banks of circulation upon mortgage. The bank of England was here employed in converting into money exchequer bills, ſecured upon the faith of government. Banks upon mortgage convert into money the property of individuals, upon private ſecurity. Had, therefore, banks upon mortgage been eſtabliſhed in England at this time, all thoſe who had property would have got credits from them, and would have been enabled thereby to pay their taxes, and carry on their induſtry, without diminiſhing their conſumption. The exchequer would then have had no occaſion to iſſue diſcredited bills and tallies for making up deficiencies; becauſe taxes would have been productive, and the ſtate would have been relieved of this exceſſive burden of intereſt at *3 per cent.* accumulated quarterly in favor of the bank.

What extraordinary profit muſt have accrued to the bank by this operation, every one muſt perceive. They were not here procuring funds to lend at a great expenſe; all they did was to augment the quantity of their paper upon government ſecurity; which they knew well would be ſuſpended in the common circle of payments within the country; and the public borrowings were ſufficient to furniſh credit for the ſums ſent out of the country. In this view we may conclude, that almoſt the whole

accumulated intereſt paid, was pure profit to the bank, and a great augmentation of the national debt.

This operation of the bank in 1706, did not prevent ſubſequent deficiencies, in the payment of the navy, army, ordnance, and of many other articles. In 1710, they amounted to above nine millions ſterling. This was too great a ſum to be borrowed; and the bank durſt not venture to diſcount more than what domeſtic circulation could ſuſpend: ſo that after this great debt had circulated upon the diſcredited obligations which had been iſſued for it, and in that way had fallen again into the hands of monied people, at 30 and 40 *per cent.* below par, the new proprietors of it were all incorporated into one great company, with a governor and directors, who got 6 *per cent.* for the whole capital, with an allowance of 8000 *l.* a year for charges of management.

Thus all the real creditors for theſe deficiencies loſt the diſcount; the monied people gained it, and the public paid for all.

When credit is in this languid ſtate, every expenſe of government riſes in proportion to the diſcredit of the paper with which they pay, till at laſt the whole ſum, with intereſt, accumulation, and expenſe falls upon the ſtate, as if every farthing of it had been frugally expended in ready money.

This is a general view of the ſtate of credit in Queen Anne's reign.

Government had not, as in the former war, the inconveniences flowing from the diſorder in the

coin to combat with. Theſe contributed more than any other circumſtance, to raiſe the capital of the debts at the peace of Ryſwick. Circulation, too, was conſiderably augmented, in conſequence of the increaſe of taxes, public debts, and the operation of the bank in circulating exchequer bills and tallies. Yet money was ſtill ſcarce, in compariſon of what it might have been, had proper methods been contrived to preſerve it upon a level with the occaſions for it.

The incorporation, alſo, of nine millions capital in the hands of a corporation, which afterwards was called the South Sea Company, was an aſſiſtance to public credit, by increaſing a monied intereſt, the principal view of which was to fill the government loans, on the lucrative conditions offered for them. And laſt of all, the ſtrictly adhering to the public faith of engagements, without ſeeking, by acts of power, to indemnify the ſtate for the loſſes it had been obliged to incur, from the circumſtances of the times, laid the ſolid baſis of national credit for the future.

Although the many additional taxes added to the former revenue, did not increaſe it in any proportion to the load laid upon the ſubject during this war, they ſerved, however, as a good foundation for improvement, as ſoon as the effects of peace reſtored them to their full production. But the charges laid upon them having become every year greater, government was obliged to engage certain funds for thirty-two years to come, and ſometimes longer; and many branches of taxes, which formerly had

had been granted for ſhort terms, were then made perpetual. After the peace of Utrecht, the expenſes of the ſtate were greatly diminiſhed, and money began to regorge: ſo that in the year 1716, the firſt foundation of the ſinking fund was laid, by opening a ſubſcription for paying off about ten or eleven millions ſterling, at that time, charged upon ſeveral branches of taxes, the produce of which amounted annually to 724 849 *l.* ſterling

The proprietors of theſe debts were allowed to ſubſcribe into this new fund, at an intereſt of 5 *per cent.* redeemable by parliament: and in caſe the whole ſubſcription ſhould not fill at that rate, the bank and South Sea company became bound to make it up, upon receiving a like annuity in proportion to their ſubſcriptions.

The bankers debt, of which we have ſpoken, the only public debt owing at the revolution, made part of thoſe which were to be ſubſcribed for.

The taxes which had been appropriated for the diſcharge of thoſe capitals, from temporary, were made perpetual; with a clauſe added, that when the ſurplus of the fund, after payment of intereſt, had diſcharged the capitals of all the national debt due the 25th of December in that year, the whole produce of the fund itſelf ſhould remain at the diſpoſal of parliament.

After this firſt operation in reducing the intereſt, the bank was ſatisfied with a reduction to 5 *per cent.* of that paid to them; and they began to circulate exchequer bills at a more moderate intereſt than formerly.

Public credit was now daily gaining ground. In 1719, the South Sea company, whoſe capital was then ſwelled to eleven millions at 5 *per cent.* with a ſum of 9597 *l.* ſterling for the expenſe of management, enlarged their views; and finding great profits to ariſe from ſuch a fund under one adminiſtration, formed a project of acquiring a large ſum of the public debts, which remained outſtanding upon the original funds appropriated for them.

For this purpoſe they propoſed to government to acquire, 1. The property of above 16 millions of redeemable debts, bearing then 4 and 5 *per cent.* intereſt; and to reduce the whole to 4 *per cent.* at midſummer 1727. 2. To acquire a ſum of 794 000 *l.* of annuities upon lives, and for long terms, as they ſhould agree with the proprietors, at 5 *per cent.* upon the purchaſe-money, until 1727; and at 4 *per cent.* afterwards. Annuities were then valued at fourteen and twenty years purchaſe, according to their length: they roſe however, during the operation of the South Sea, to 25 and 30 years purchaſe. 3. They were to have a ſum added to their former allowance for the charge of management, in proportion to this augmentation of their ſtock. 4. That for the advantage which might follow upon this agreement with government, they were to pay into the exchequer above ſeven millions ſterling, toward diſcharging other national debts outſtanding. And in the laſt place, they engaged to circulate a conſiderable ſum of exchequer bills and to pay the intereſt of 2 pence *per cent. per diem*, which ſhould grow upon them during ſeven years *

* After the long and particular account I have given of the

From the operations we have been deſcribing, we perceive, that the point of view in England, from

Miſſiſippi, I ſhall not enter into a like detail, concerning a ſcheme which proceeded upon the very ſame principles; to wit, the artificial raiſing the value of a ſtock, by promiſing dividends, out of funds which were nowiſe proportioned to them.

I ſhall therefore, in a very few words, compare ſome of the operations of the South Sea ſcheme, with thoſe of the Miſſiſippi; and in doing it, point out the principal differences between them.

The great profits upon the Miſſiſippi were expected from the intereſt paid by government for the great loan, the farms of the revenue, and the profits upon their trade.

Thoſe of the South Sea were, at ſetting out, 1. The profits upon their trade: 2. The allowance made them: 3. The difference of receiving 5 *per cent.* for the money they laid out in purchaſing the public debts, when money was at 4 *per cent* as it was when the ſcheme was ſet on foot: and 4. The ſurplus money ſubſcribed into the ſtock above par, in conſequence of the artifices uſed to enhance the value of it.

The ſeven millions they were to pay to the ſtate, ſeemingly for no value received, were a ſort of compenſation for receiving the 5 *per cent.* for 7 years, at a time when money was worth no more than 4 *per cent.*

Theſe advantages raiſed, at firſt, the value of the original ſtock of eleven millions. The conſequence was, that the proprietors of the 16 millions of the redeemable debts, which were to be bought in when they came to ſubſcribe their capitals into the new ſtock, tranſacted them at a proportional diſcount; which diſcount, being good againſt the government in favor of the company, ſerved to diſcharge proportionally the ſeven millions the company was to pay. This gave an additional value to the ſtock; and ſo it roſe, greatly indeed above that proportion. Then the company promiſed a dividend of 10 *per cent.* for one half year, upon their capital, at midſummer 1720; this dividend was to be paid in ſtock,

the peace of Utrecht, has always been, to reduce the intereſt of the national debt; but never to leave

which was conſtantly riſing in its value; but no information was ever given the public concerning the funds which were to produce this dividend; ſo every one concluded that there were hidden treaſures in their hands, which enabled them to promiſe ſuch large dividends. Accordingly, ſtock roſe from 300 *per cent.* to 375; then to 400, and at laſt to 1000 *per cent.*; and in proportion as it roſe: the wealth of the former ſubſcribers augmented from the ſurplus above par, paid by the latter, and thoſe who ſubſcribed laſt, bore all the loſs upon the blowing up of the ſcheme.

But one great difference between the South Sea and Miſſiſippi, was this: That in France there was abundance of money in the hands of the public, for purchaſing the actions, at the exorbitant price to which they roſe; but in England there was not: conſequently, in France, the rate of intereſt fell to 2 *per cent.* and in England, the great demand for money to borrow, raiſed it beyond all bounds.

Thoſe who ſubſcribed in money, paid down no more than 10 *per cent.* at ſubſcribing; but became bound to pay up the remainder. But when the ſtock tumbled, people were better pleaſed to loſe the 10 *per cent.* they had paid, than to pay up the remaining 90 *per cent.* according to the terms at ſubſcribing. Thoſe indeed who ſubſcribed their former capitals at a vaſt diſcount, did not labor under the ſame inconvenience of want of money; but that diſcount became as real a loſs to *them*, as the caſh ſubſcribed became a loſs to the money ſubſcribers, the moment that thoſe who were in the ſecret, and who, by the moſt infamous chain of artifices, had blown up the public frenzy, began to realize and ſell out, and that the whole was diſcovered to be a cheat. So that upon the whole, the Engliſh ſcheme had much leſs foundation than the French. The firſt blew up from an abſolute neceſſity, and for want of any bottom at all; the laſt from miſconduct, and rather from folly than knavery. I return to an account of the ſcheme.

in the hands of the creditors, any part of the ſavings made, in order to diminiſh the capital. Theſe

The original capital of the South Sea company, was 11 750 000 *l.*: the redeemable debts they were to purchaſe in, amounted to 16 750 000 *l.*; and the value of the irredeemable, or what were called the *abſolute terms*, was computed at 15 058 000 *l.* together 31 808 000 *l.* ſterling.

The proprietors of this original capital of 11 750 000 *l.* conſulted their own advantage only, in purchaſing in this large ſum of debts, which were to be converted into additional ſtock; and therefore founded very high the great advantages of ſuch a transformation of them; 1*mo*, From the profits of the trade, which they were to enjoy excluſively. And 2*do*, From the great addition to their wealth, from the conſtant riſing in the price of their ſtock. They carried their views to nothing leſs than obtaining a majority in the houſe of commons, by the weight of their wealth, and of becoming the abſolute rulers of the nation.

The public being from the beginning intoxicated with ſuch ideas, ſubſcriptions for ſtock were opened at 200 *per cent.* above par; and ſome of the proprietors of the 31 808 000 *l.* ſubſcribed at firſt their capitals at a proportional diſcount; that is, they made over a debt of 100 *l.* for 33 1/3 in South Sea ſtock; and ſucceſſively, the ſubſcription roſe to 1000 *per cent.* Theſe immenſe profits being incorporated into the gains of the general ſtock, were proportionally ſhared by the ſubſcribers themſelves, who became proprietors; and the higher the ſtock roſe, the more theſe gains augmented. This influenced the infatuation; and the dividends augmenting in proportion to the price of ſubſcription, there appeared no end of the riſing of the ſtock.

The firſt dividend offered, as has been ſaid, was 10 *per cent.* half-yearly, in ſtock: this was afterwards converted into no leſs than 30 *per cent.* in money, for that half-year: and when ſtock roſe to 1000, a dividend of no leſs than 50 *per cent. per annum*, in money, was promiſed for twelve years to come.

ſavings have conſtantly been thrown into a ſinking fund, *ſuppoſed* to be intended for extinguiſhing the capital; and were it employed for that purpoſe for a few years only, and not diverted to other uſes, I am perſuaded the conſequence would be, to reduce intereſt in England lower than ever perhaps it has been ſeen in any nation. That intereſt may be reduced, by making money regorge in the hands of the lenders, is, I think, an uncontroverted principle: that by regorging in France, *anno* 1720, it reduced intereſt to 2 *per cent.* is a fact indiſputable I ſhall not pretend to ſay poſitively, that the total

Had ſtock riſen to 2000 *per cent.* the dividend could have as eaſily been carried to 100 *per cent. per annum*, as it had been to 50 *per cent.* when at 1000.

But whence was this dividend to be paid? The company and the directors took good care never to give to the public any light as to that particular.

To prevent, therefore, ſuch abuſes in the riſing of the South Sea, it ought to have been provided by parliament, that in taking in ſubſcriptions, and offering dividends, the directors ſhould have informed the public, 1*mo*, Of the money owing to them by government. 2*do*, Of the money gained by the ſubſcriptions above par. And 3*tio*, Of the profits upon their trade. And, on the other hand, of the debts due by them; and of the nett balance upon their books, in their favor.

This would have been fair dealing. But to pretend the neceſſity of ſecrecy, in a point where a nation is intereſted, was in itſelf a mere pretext; and had it been otherwiſe, it might have been anſwered, that a company which is obliged to have recourſe to ſuch ſecrets, ought to be prevented from dealing with thoſe who were to remain ignorant of *them*, however deeply intereſted.

appropriation of the ſinking fund, and augmentation upon annual grants, to make up the void, would in Great Britain work this effect in a few years; but I think it is very probable that it would: and if the domeſtic creditors, in any ſtate, where debts, *due to ſtrangers*, are ſwelled to ſuch a height as to exceed the whole profits made upon trade, ſhall by their influence, and from a motive of preſent advantage, obſtruct a ſcheme of this nature; the conſequence will prove, in the firſt place, to diſcourage, and then totally to extinguiſh commerce, and in a little time to occaſion an unavoidable bankruptcy; as ſhall be farther explained in a ſucceeding chapter. I return to the South Sea company.

The propoſal of the South Sea company, mentioned above, was accepted of, and ratified by act of parliament, 6 Geo. I. chap. 4th. But the diſaſter which befel credit, in conſequence of the ambitious views of thoſe who were in the adminiſtration of that company, prevented the nation from reaping all the advantages which might have proceeded from it.

The reign of K. George I though little diſturbed by foreign wars, produced not the ſmalleſt diminution upon the capital of the public debts; and thoſe which ſubſiſted at the peace of Utrecht, ſtood, at his death, at 50 354 953 *l.* The ſame taxes ſubſiſted; and every one almoſt was by this time made perpetual, except indeed the land tax and malt duty, which to this day continue to be annual grants.

But alas! this apparent revenue, ariſing from a multitude of taxes, was of no uſe towards defraying

the ſmalleſt *extraordinary* expenſe of government. Every article of it was engaged for debts; and the operations for reducing the intereſt were calculated only to produce a fund for diſcharging the capital. The civil liſt, indeed, that is to ſay, the expenſe of civil government, excluſive of army, navy, ordnance, and incidental articles, was paid from the permanent taxes, and conſidered as a charge upon them. But were not armies and navies then become as regular an expenſe upon every ſtate in Europe as judges and ambaſſadors? Undoubtedly they were. Yet after the peace of Utrecht, in laying down the plan which has conſtantly been followed ever ſince, for defraying the regular expenſe of Britiſh government, theſe two great and unavoidable expenſes were conſidered as contingent only, and provided for by annual grants: and becauſe armies, in time of peace, in former reigns, had proved dangerous to liberty from the abuſe of power, they were ſtill conſidered in the ſame light, at a time when liberty and trade were continually threatened from their armed enemies and rivals abroad.

When the continuance of peace, in the reign of George the Firſt, had produced the effect of reducing intereſt, on many occaſions, to 3 *per cent.* the ſinking fund began to gather ſtrength. The land tax, from the year 1722, had not exceeded two ſhillings in the pound; and the *extraordinary* expenſe of government, according to the annual grants of the 13 years of his reign, did not exceed 34 800 000 *l.* or 2 670 000 *l.* a year.

Public tranquillity was very little diſturbed during

the firſt twelve years of the ſucceeding reign; and all the *extraordinary* expenſe did not much exceed three millions *per annum:* yet that expenſe, ſmall as it was, compared with what it has been ſince, was almoſt every year made out, by taking one million at leaſt from the ſinking fund; and in the years of the leaſt expenſe, ſuch as 1731 and 1732, the land tax was reduced to one ſhilling in the pound, at the expenſe of taking two millions and a half from the ſinking fund.

Theſe ſteps of adminiſtration I neither cenſure, or approve of. I muſt ſuppoſe every ſtateſman to have good reaſons for doing what he does, unleſs I can diſcover that his motives are bad. May not the landed intereſt, who compoſed the parliament, have inſiſted upon ſuch a diminution of their load? May not the proprietors of the public debts have inſiſted on their ſide, that no money out of the ſinking fund ſhould be thrown into their hands, while the bank was making loans upon the land and malt duties at 3 *per cent.*? Might not the people have been averſe to an augmentation of taxes? When three ſuch conſiderable intereſts concur in a ſcheme, which in its ultimate, though diſtant conſequences, muſt end in the notable prejudice of perpetuating the debts, although opportunities offer to diminiſh them, what can government do? They muſt ſubmit; and which is worſe, they cannot well avow their reaſons.

Such combinations muſt occur, and frequently too, in every ſtate loaded with debts, where the body of the people, the land-lords, and the cre-

ditors, find an advantage in the non-payment of the national debt It is for this reaſon that I imagine, the beſt way to obviate the bad conſequences of ſo ſtrong an influence in parliament, would be, to appropriate the amount of all ſinking funds in ſuch a manner, as to put it out of a nation's power to miſapply them, and by this force them either to retrench their extraordinary expenſes, or to impoſe taxes for defraying them.

The ſecond period of George IId's reign, was from the breaking out of the Spaniſh war in 1739, to the peace of Aix-la-Chapelle in 1748. During theſe ten years, (1748 being included) the extraordinary expenſe was, upon an average, very near ſeven millions; and at the end of the year 1738, the public debts amounted to 46 661 767 *l.* bearing 1 962 053 *l* intereſt.

The firſt expedient for borrowing money during the war, was to continue the duty on ſalt for ſeven years; and to mortgage it at once for 1 200 000 *l.* according to the old plan. To this was added, the expedient of lotteries, and loans upon indeterminate annuities, according to the current value of money.

An additional exciſe upon ſpirituous liquors, brought in wherewithal to compenſate theſe additional ſums of intereſt; and the Eaſt India company, for lending one million at 3 *per cent.* upon this occaſion, had their charter continued from 1766 to 1780. This operation I alſo conſider as an anticipation; and as it was to commence at the diſtance of 23 years from the time of the grant, could not

fail of being very burdenſome to the nation, however convenient it might be at that particular time.

Were the India company now, 1766, to purchaſe the renewal of their charter for 14 years, what a ſum might be expected from it! Yet the value given for the grant they then obtained did not exceed 30 000 *l.* becauſe the other annuities of 3 *per cent.* were ſold at that time for 97 *l.* or, in the language of the funds, at 3 *l.* premium for every 100 *l.* ſubſcribed; and this ſo early in the war as 1743.

The practice of borrowing upon premiums had taken place in Queen Anne's reign, and has of late years been very common. The credit of Great Britain is ſo firmly eſtabliſhed, that in whatever way government inclines to borrow, the money'd men are willing to lend, provided the loan be made at the then rate of intereſt.

To avoid therefore the eſtabliſhment of funds at different rates, in proportion to the fluctuations of money, the bargain is made at one determinate intereſt. Suppoſe, for an example, 3 *per cent.* Then, according as it is found to riſe above that rate in the market, a premium is paid out of the money ſubſcribed; as in this caſe 3*l.* was paid out of the 100 *l.* ſubſcribed; that is, the ſubſcriber retained it, and obtained his 3 *l.* annuity, for the payment of 97 *l.* ſo this remained a 3 *per cent.* loan, inſtead of being, as it really was, at 3 9/97 *per cent.* and was ſold and transferred as every other 3 *per cent.* without occaſioning any perplexity.

As the war continued, intereſt roſe, from the demand for money, when the ſupplies became deficient.

The year following, viz. 1744, this manifeſted itſelf, by the conditions offered by government, which were: That, of two millions to be borrowed at 3 *per cent.* as before, upon the whole ſum, 1500 000 *l.* ſhould be formed into perpetual annuities, and the remaining 500 000 *l.* into a lottery, conſiſting of 500,000 tickets, to be ſold at 10 *l.* each. The original ſubſcribers to this loan ſubſcribed therefore 10 *l.* for the ticket, and 30 *l.* for the annuity, in all 40 *l.*; for which they were to receive 3 *per cent.* But the premium conſiſted in this, that every ſubſcriber for 10 tickets, that is, 400 *l.* of the total fund, had an annuity for life given to him of 4 *l.* 10 *s.*

This made five thouſand annuities, 4 *l.* 10 *s.* each, or 22 500 *l.* a year to be added to the intereſt of 31 *per cent.* on the two millions, that is, to 60 000 *l.* a year of perpetual annuities. So that the whole loan of two millions this year coſt government 82 500 *l.* of intereſt, or 4 1/8 *per cent.*; 22 500 *l.* of which was to extinguiſh with the lives of the ſubſcribers.

Now, if we ſuppoſe theſe life-annuities worth 20 years purchaſe *, this was the ſame thing as if

* This may ſeem a high valuation, and is, in fact, far beyond what any of thoſe annuities ſold for: but as the intereſt of money cannot be eſtimated, for a conſtancy, at more than 3 *per cent.* and that probably the beſt lives were choſen, the value to government of ſuch annuities may well be eſtimated at 20 years purchaſe. By De Moivre's tables, annuities for the moſt favorable ages, intereſt being at 3 *per cent.* are valued at 19 87 years purchaſe; and his valuations are generally allowed not to be too high.

government had given a deduction of 90 *l.* out of the 400 *l.* ſubſcribed; conſequently the remainder, which was 310 *l.* produced 12 *l.* This makes the rate of intereſt upon the loan to have been 3. 87 *per cent.* And as government inclined that the loan ſhould be made in that way, the lenders were willing that it ſhould be ſo; and the difference between 3. 87 *per cent.* (the then rate of money) and 4 1/8 intereſt, which was paid by government, was a ſinking fund, as it were, for the gradual extinction of the capital of the lottery for 500,000 *l.* during the lives of the annuitants.

In 1746, perpetual or indeterminate annuities were conſtituted at 4 *per cent.* and the premium upon the ten lottery tickets was raiſed to 9 *l.* life annuity.

It would be unneceſſary to trace the various methods of contriving the premiums given in the ſucceeding years of this war. The principle upon which they were regulated was always to proportion them to the rate of intereſt at the time; and the motive was, I ſuppoſe, that by this method of borrowing, a part at leaſt of the debt would become extinguiſhed with the lives of the ſubſcribers. There might perhaps be another, to wit, that by ſwelling the capital, for value not received, there was an appearance of borrowing at a lower rate of intereſt than what in reality was the caſe. Thus in 1747, when 6 300 000 *l.* were borrowed, inſtead of giving not quite 4 1/2 *per cent.* for this ſum, they gave 4 *per cent.* upon 6 930 000 *l.* which capital, although money ſhould return to 3 *per cent.* was ſtill to ſtand

at its full value; whereas, had 6 300 000 *l.* been borrowed at 4 1/2 *per cent.* there would have been a faving of 600 000 *l.* upon the capital; and at the peace, the intereft of 4 1/2 *per cent.* would equally have come down to 3 *per cent.* with the other funds.

During this firft war of George the Second, the land tax was conftantly at 4 *s.* in the pound; and new branches of cuftoms, excife, or other inland duties, were created in proportion to the fwelling of the national debts, which, on the 31ft of December 1748, amounted to 78 293 313 *l.* fterling, bearing 3 005 325 *l.* intereft; and the finking fund, or furplus of all permanent taxes then impofed, after paying the civil lift, and the intereft upon this capital, amounted to 1 060 948 *l.* fterling. During this war, the debts were increafed above what they were at the end of 1738, by 31 631 546 *l.* fterling capital, and by 1 043 272 *l.* of intereft or annuities.

The war was no fooner over, and the national expenfe diminifhed, than money began to regorge in the hands of the monied intereft: an infallible confequence of fuch a violent revolution; when extraneous circumftances, fuch as occurred after the peace 1763, do not prevent it.

To profit of this conjuncture, government, early in 1749, propofed that all the public creditors upon capitals bearing 4 *per cent.* intereft, redeemable by parliament, and amounting to upwards of 57 millions, who fhould accept of 3 *per cent.* from December 1757, fhould have their debts made irredeemable until that time; and in the interval fhould continue to have 4 *per cent.* till December 1750; and 3 1/2

per cent. from thence, until the total reduction to 3 *per cent.* in December 1757.

This bold undertaking had the desired effect. Many obstacles were thrown in the way; but the regorging capitals in the hands of many, made every one fear the reimbursement for himself; and the credit of France was then so low, that very few chose its funds as an outlet for their superfluous money.

But an outlet, unfortunately, was not wanting at the end of the last war in 1763, as we shall show in its proper place.

Here then is a notable instance of the effects of regorging money. A small sum, when compared with a nation's debt, operates upon the whole capital; as a small balance upon the trade affects the whole mass of reciprocal payments.

The reimbursement of 57 millions offered by government, in 1749, was, to the conviction of all the world, an impracticable scheme; but the stockholders seeing a large sum ready to be subscribed, at the interest offered, and feeling the effects which that regorging money must, in all events, have produced, willingly, and wisely perhaps, consented to the offer made them. Had they refused, and had the scheme proposed become abortive thereby, perhaps the nation might have been so far animated against the creditors, from the disappointment, as to have consented to be at the expense of defraying the service of the following years, without encroaching upon the sinking fund. What effect this would have produced upon the rate of interest, in that conjuncture, no man can

tell, nor will the real conſequence of ſuch a meaſure ever be known, until the happy trial be made. That it would have brought intereſt below 3 *per cent.* in December 1757, is, I think, evident: for as matters ſtood, had the creditors of 57 millions been able to hold out, I muſt do them the juſtice to believe, they would not have conſented to the propoſal made to them; and an addition of all the ſinking fund thrown among them annually, at a time they could not diſpoſe of what they had, upon better terms than thoſe offered them, would undoubtedly then, as at all times, operate a very great national relief, in bringing down the intereſt.

During the tranquillity which continued from the peace of Aix-la-Chapelle, in 1748, to the commencement of hoſtilities in 1755, the money expended for extraordinary ſervices amounted on an average to above four millions *per annum.* The expenſe of government was then increaſed, by ſupporting the colonies, and by ſeveral great and uncommon outgoings at home, for purpoſes mentioned in the ſupplies of thoſe years.

A little before the breaking out of the laſt war, that is to ſay, on the 5th of January 1755, the national funded debt was reduced to 72 289 674 *l.* upon which was paid an annuity of 2 654 500 *l.* and the ſinking fund amounted to 1 308 814 *l**. At the end of 1763. the year of the peace, the

* To this funded debt muſt be added the unfunded debt, which I do not know exactly; and the value of the annuities granted in 1745, and 1746.

funded

funded debt amounted to 130 586 789 *l.* 10 *s.* beſides above 9 millions not provided for. So that at the end of laſt war the national debt exceeded 140 millions; beſides the value of the annuities granted in 1757, 1761, and 1762. Hence it appears, that the war occaſioned an augmentation of upwards of 58 297 116 *l.* upon the funded national debt; beſides the difference between the unfunded debts at the beginning and end of the war; and alſo the value of thoſe annuities *.

I ſhall, before I conclude this chapter, preſent a ſhort ſcheme of the ſtate of the nation at that time: but firſt let us take a view of the methods uſed to borrow ſo large a ſum in the ſhort period of eight years.

Until 1757, money was borrowed by government, at a little above 3 *per cent.* but then a loan of 5 millions being neceſſary, government conſented to create annuities of 4 1/2 *per cent.* irredeemable for 24 years. By this expedient the monied people eluded the operation of reducing the intereſt of this fund, upon the return of peace. How far this expedient was to be preferred to the former, of increaſing the capital beyond the money paid; or whether it would not have been ſtill better to have paid for the money wanted, according to the current rate of intereſt

* The annuities of 1757, are eſtimated, by the author of the Conſiderations on Trade and the Finances, at 472 500 *l.* or at 14 years purchaſe; and the annuities of 1761, 1762, at 6826 875 *l.* or at 27 1/2 years purchaſe. But this valuation ſeems too low, for the reaſons given in the note, p. 60.

in the market at the time, waiting until a peace might afford a favorable opportunity of reducing it, I ſhall not take upon me to determine.

I have obſerved how raſh it is for any one to cenſure acts of adminiſtration, when the motives of a ſtateſman's conduct are unknown. This, however, I have ſometimes ventured to do, in ſpeaking of things which happened many years ago; but we ought to be more cautious as we come nearer to our own times, becauſe not having, as in this caſe, a courſe of experience to point out the errors, we muſt entirely rely upon our own ſagacity, and reaſon only from analogy.

During the laſt war, as in that preceding it, taxes were increaſed in proportion to the intereſt of the money borrowed, and new impoſitions, were now laid on the articles of great conſumption, which produced abundantly. The new malt-duty of 3 *d. per* buſhel, and the new beer-duty of 3 *s. per* barrel, bring in net into the exchequer near 820 000 *l. per annum*, and diſcharge the intereſt of above 27 millions ſterling, at 3 *per cent.* Such a ſum raiſed at the end of a war ſo very expenſive, and at the very time when the credit of France was totally fallen, muſt have operated in the ſtrongeſt manner, and did in fact operate more, perhaps, than any other conſideration to put an end to that war, the moſt glorious that Europe has beheld ſince the beginning of this century, or perhaps in any age whatever: advantageous to Great Britain, notwithſtanding all the expenſe, providing that the conſequences happen to correſpond to what may be reaſonably expected.

I ſhall now ſet before my reader a ſhort ſtate of the taxes, debts, and public funds of Great Britain, at this bright period of her hiſtory.

From the beſt authority I have been able to procure, the revenue of the ſtate, conſidered under the three general branches of cuſtoms, exciſe, and other inland duties, which comprehend the whole permanent income of this kingdom, was then as follows:

Cuſtoms net into the exchequer, about		£ 2 000 000
Exciſe in all its permanent branches net about		4 600 000
Other inland duties net		1 000 000
Land tax at 4 *s.* in the pound		2 000 000
Annual malt tax net		613 000
In all		10 213 000

Let us next ſtate the annual charges and appropriations ſettled upon this fund.

Firſt then the civil liſt, to the amount of	£ 800 000	
2*do*, The intereſt of about 131 millions of funded debts at different rates of intereſt, about	4 500 000	
3*tio*, The intereſt of nine millions not then provided for, ſuppoſed to be at 4 *per cent.*	360 000	
In all of regular and permanent annual charge		5 660 000
So there remains free, about		4 553 000
From which if we deduct the annual grants of land and malt-taxes, which extend together, as above, to		2 613 000
There will remain as the produce of the ſinking fund *		1 940 000

* I find that the ſinking fund is now eſtimated at 2 100 000 *l.* by the author of the Conſiderations on Trade, &c. above cited. I am alſo informed that the net produce of the cuſtoms exceeds 2 000 000 *l.* conſiderably: but 4 600 000 *l.* is rather the groſs than the net produce of the *permanent* duties of exciſe; that is, of all the exciſe duties, excepting the annual malt-duty. It muſt alſo be obſerved, that the annuities payable to the national creditors, amounted, the 5th

In that ſtate, nearly, ſtood the affairs of Great Britain after the concluſion of the peace in 1763.

It now only remains to offer ſome conjectures why, after this period money was not found to regorge, as after the peace of Aix-la-Chapelle, ſo as to furniſh an opportunity of reducing the rate of intereſt upon all redeemable debts, and by that of raiſing the amount of the ſinking fund, and more firmly eſtabliſhing the national credit.

After the fall of the credit of France towards the end of 1759, Great Britain had the command of all the money to be lent in Europe; and accordingly amazing ſums were borrowed in 1760, 1761, and 1762. Of the ſums borrowed, a great part, no doubt, was the property of ſtrangers; but they, not being ſo well acquainted with the affairs of this nation as the Engliſh themſelves, inſtead of ſubſcribing to the loans, lent the money to our own country people, who, in hopes of a great riſe upon the return of peace, filled the ſubſcriptions with borrowed money.

The conſequence was, that no ſooner did the funds begin to riſe after the peace, than every creditor demanded his money of thoſe who had inveſted it in the public funds. This obliged the latter to bring their ſtock to market, and this again had naturally the effect of keeping the funds very low.

January 1764, to more than 4 720 000 *l.* But on the other hand, the intereſt of the unfunded 9 millions is rated too high, as appears from the author above quoted. I cannot pretend to give exact details. The general ſketch here ſtated is ſufficient for my purpoſe.

Some, more prudent than the reſt, had borrowed upon a long term of repayment; which had the effect of putting off ſtill longer the ſettlement of the funds in the hands of the real proprietors, and of taking them out of thoſe who only held them nominally.

Beſides this accidental cauſe of the low price of the funds, other circumſtances, no doubt, greatly contributed to produce the ſame effect.

However great the balance of trade, that is, of exportations above importations, may have been of late in favor of England, ſtill the mighty ſums drawn out by ſtrangers have certainly, upon the whole, prevented much money from coming home on the general or grand balance of payments. While that remains the caſe, it is impoſſible money ſhould regorge at home in the hands of the natives, and until this happens, there is no hope of ſeeing the 3 *per cents.* above par. But then the riſe, ſmall as it is, ſince the peace, may encourage us to hope that that time is not far off: for had the profits of our trade been quite unable to balance the loſs upon our foreign debts, the funds would undoubtedly ſtill continue to fall, which is demonſtrably not the caſe from the circumſtances of the loan in April 1766, obtained by government, with the aſſiſtance of a lottery indeed, at 3 *per cent.* *

* The loan of 1766, was 1 500 000 *l.* at 3 *per cent.* Every ſubſcriber for 100 *l.* had an annuity of 3 *per cent.* on 60 *l.* and 4 lottery tickets, valued to them by government at 10 *l.* each, in all 100 *l.* The prizes and blanks in the lottery amount to 600 000 *l.* and bear 3 *per cent.* paid by

Here then was an outlet provided for more money than all that could regorge at home, viz. the pay-

government. The annuities amount to 900 000 *l.* and bear alſo 3 *per cent.* The number of tickets are 60 000. Hence, at 10 *l.* each, they amount to 600 000 *l.*

The advantage government reaps by this way of borrowing, is, that the deſire of gaming, raiſes the lottery tickets above their value, when thrown into the hands of the public; and this advanced value being a profit to thoſe who receive them in part of their ſubſcription, that profit they ſhare with government. Example. In April 1766, when government borrowed 1 500 000 *l.* at 3 *per cent.* the 3 *per cents.* were only at 89: conſequently, the difference between 89 and 100, which is 11 *l.* muſt have been ſuppoſed to be the ſum which the ſubſcribers, from the propenſity of people to game, had a reaſonable, or rather a certain expectation of gaining upon the ſale of 4 lottery tickets, that is, 2 *l.* 15 *s.* upon every one.

To know therefore the real par of a lottery ticket, you muſt proceed thus: it coſts the ſubſcribers 10 *l.* for which they receive from government 3 *per cent.* This 10 *l.* as 3 *per cents.* ſtood at 89, is worth at that rate no more than 8 *l.* 18 *s.* add to this ſum what the public muſt pay for the liberty to play, which we have ſtated above at 2 *l.* 15 *s.* and you have the exact par of a lottery ticket at 11 *l.* 13 *s.*

Whatever they ſell at above 11 *l.* 13 *s.* is profit to the ſubſcribers, whatever they ſell below 11 *l.* 13 *s.* is a loſs to them

This profit, though ſmall in appearance, is greatly increaſed from another circumſtance, viz.

That the ſubſcribers may ſell their ſubſcriptions at a time when they have really advanced but a ſmall part of it. The firſt payment is commonly of 15 *per cent.* on their ſubſcription: when they ſell, they make this profit upon the whole capital. Suppoſe then 15 *per cent.* paid in: if the profit upon ſelling be no more than 1 *per cent.* upon the capital, that 1 *per cent.* turns out no leſs than 6 2/3 *per cent.* upon the money they have advanced. Thus a perſon who is poſſeſſed of 1500 *l.*

ment of thoſe foreign creditors, to whom the ſtock-holders were indebted. Beſides this, the ſale by government, of ſuch tracts of land in the new acquired iſlands in the Weſt Indies, provided another; money was even placed in the funds of France ſoon after the peace, until the adventurers were checked by the operations of the King's council, in reducing both capitals and intereſt upon them, contrary to the original ſtipulations with the creditors. A lucky circumſtance for Great Britain, as it forces, in a manner, all the money of the continent into the Engliſh funds, which equally remain a debt upon the nation, whether high or low in the market.

only, may ſubſcribe for 10 000 *l.* in this loan: he pays in his 1500 *l.* and receives his ſubſcription; when he ſells, he ſells 10 000 *l.* ſubſcription, upon which he gains 1 *per cent.*: 1 *per cent.* of 10 000 *l.* is 100 *l.* ſo (in one month ſuppoſe) he gains by this means 100 *l.* for the uſe of 1500 *l.* But as a counterbalance for this profit, he runs the riſk of the falling of the ſubſcription, which involves him in a proportional loſs if he ſells out; or in the inconvenience of advancing more money than he had to employ in that way, in caſe he ſhould prefer keeping his ſubſcription for a longer time, in hopes of a riſe in the public funds. By this mode of borrowing, government profits by the diſpoſition of the people to game. But this propenſity has its bounds, and at preſent it is found by experience not to exceed 60 000 lottery tickets, or 600 000 *l.* Were, therefore, a ſubſcription of 3 millions taken in upon the ſame plan with the preſent of 1 500 000 *l.* the regorging number of tickets would ſo glut the market, that the whole would fall below the par of their ſuppoſed value.

CHAP. VI.

State of the public Credit in France, their Debts, Funds, and Appropriations, at the Peace 1763.

WERE it as eaſy to get information of the political ſtate of France as of Britain, one might attempt to give ſuch a ſketch of their affairs as we have now done of the other; but when we conſider the lame accounts given by French authors who have made reſearches of that kind their particular ſtudy, it would be inconſiderate in a ſtranger ever to undertake a taſk ſo difficult.

In France, the finances are conſidered as a political arcanum, of great conſequence to the ſtate to conceal from vulgar eyes. It is not long ago, ſince the farmers of the greateſt part of the revenue uſed regularly to burn their books at the end of the year, to prevent the King's ſervants from knowing the ſtate of the moſt eſſential part of his affairs. Cardinal de Fleuri aboliſhed this cuſtom, and obliged them to lay every thing open to his eyes.

I ſhall now endeavour to comunicate, in as ſhort and diſtinct a manner as I can, an idea of the preſent ſtate of the French revenue; of the taxes from which it proceeds; of the manner they are admi-

niſtered; of the purpoſes to which they are appropriated; and of the ſtate of the King's debts at the end of the laſt war.

From this view we ſhall form a general notion of their public expenſes; of their public debts; and of what is moſt material, of the reſources of that Kingdom in time to come.

For this purpoſe, I ſhall divide the whole revenue of France, that is all that is raiſed on the people, to, whatever purpoſe it may be applied, into five branches; and after having firſt explained the nature of each, I ſhall give a general detail of them in their order.

The firſt branch is what is called the King's ordinary revenue. This is compoſed of about twelve articles of permanent taxes, ſuppoſed to be ſufficient for defraying the whole expenſe of government, civil and military, in time of peace.

The ſecond is compoſed of all the extraordinary impoſitions which were laid upon the people, in conſequence of debts contracted in the former war, ended in 1748.

The third, what was impoſed during the laſt war, for the ſervice of the ſtate, and for paying off the debts then contracted.

The debts of France, contracted in periods anterior to thoſe two wars, are charged on the ordinary revenue, as we ſhall preſently ſee.

The fourth branch conſiſts of two articles. The firſt comprehends certain perpetual taxes appropriated for certain ſtate expenſes, not charged upon the ordinary revenue. The ſecond, what is com-

puted to be the expenſe of levying all the taxes, and alſo the profit of the farmers: or in other words, what the people pay more than the public receives from the hands of the tax-gatherers.

The fifth and laſt branch, comprehends the taxes paid to the court of Rome, to the clergy, and to the poor; with other duties belonging to private perſons. Under one or other of theſe five branches, may be very properly arranged all the taxes paid by the French nation.

Firſt general branch.

The King's ordinary revenue, with the charges upon it for the year 1761.

Articles of revenue.	Fr. money. livres.	Sterling ditto. l.	s.	d.
1. Domain (the King's landed eſtate)	6 000 000	266 666	13	4
2. Taille (the land-tax) -	56 600 000	2 515 555	11	1 1/2
3. Double capitation (the poll-tax)	53 200 000	2 364 444	8	10 1/2
4. Ditto upon ſuch as have civil employments, penſions, &c.	6 700 000	297 777	15	6 1/2
5. 2s. in the pound on all civil employments.	6 800 000	302 222	4	5 1/2
Carry over	129 300 000	5 746 666	13	3 1/2

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over - -	129 300 000.	5 746 666 13 3 1/2
6. The mint, or coinage - -	2 400 000	106 666 13 4
7. Décimes and capitation of the clergy - - - - -	12 400 000	551 111 2 6 1/2
8. Free gifts from the ſtates of Burgundy, Provence, Languedoc, and Brittany - -	10 000 000	444 444 8 10 1/2
9. Paulette, or annual tax upon hereditary offices - - -	2 600 000	115 555 11 1 1/4
10. Tax on the Lutheran clergy of Alſace - - - - - -	200 000	8 888 17 9 1/4
11. Regale, or the ſovereign's right on eccleſiaſtical benefices	1 400 000	62 222 4 5 1/4
12. General farms - - - -	112 500 000	5 000 000 — —
Total of the ordinary revenue	270 800 000	12 035 555 11 * 1 1/4
Of this total the general farms amount liv. l. s. d.		
to 112 500 000 5 000 000 — —		
And the other branches		
to 158 300 000 7 035 555 11 1 1/4		
The farms were increaſed *anno* 1762 by - - - -	11 500 000	511 111 2 2 1/2
Total ordinary revenue at the end of the war - -	282 300 000	12 546 666 13 4
Articles of Expenſe.		
Houſhold of the King and royal family - - - - -	9 400 000	417 777 13 6 1/2
Ditto. their perſonal expenſe -	4 600 000	204 444 8 10 1/2
Carry over	14 000 000	622 222 4 5

* Theſe reductions of French money to ſterling, are computed at the rate of 22 1/2 livres to the pound ſterling. Hence 270 800 000 livres make 42 035 555 *l.* 11 *s.* and 1 1/2 *d.* ſterling, or nearly 1 1/4 *d.* as ſtated, though the amount of partial ſums differs by 1 *d.*

	Fr. money. livres.	Sterling ditto. l. s. ds
Brought over - -	14 000 000	622 222 4 5
King's ſtables and ſtud - -	2 500 000	111 111 2 2 1/2
Hunting equipages - - -	1 600 000	71 111 2 2 1/2
Alms - - - - -	600 000	26 666 13 4
Pay of the palace guards, (*gardes de la porte*) &c. - - -	3 300 000	146 666 13 4
King's buildings - - -	6 600 000	293 333 6 8
Total expenſe of the court -	28 600 000	1 271 111 2 2
Pay of all the houſhold troops -	8 000 000	355 555 11 1 1/4
Pay of all the other troops of France - - - - -	48 000 000	2 133 333 6 8
Fortifications - - - -	6 000 000	266 666 13 4
Artillery for land ſervice - -	6 600 000	293 333 6 8
Military gratifications, over and above the pay - - -	10 000 000	444 444 8 10 1/2
Pay of general officers commanding in provinces and fortreſſes	2 000 000	88 888 17 9 1/4
Pay, &c. of the maréchauſsée	2 200 000	97 777 15 6 1/2
Expenſe of priſoners of ſtate	1 200 000	53 333 6 8
Ordinary expenſe of the navy	25 000 000	1 111 111 2 2 1/2
Total regular military expenſe by land and ſea - -	109 000 000	4 844 444 8 10
Royal penſions - - -	9 000 000	400 000 — —
The appointments of the King's miniſters - - - -	310 000	13 777 15 6 1/2
Carry over	9 310 000	413 777 15 6 1/2

	Fr. money. livres.	Sterling ditto. l.	s.	d
Brought over -	9 310 000	413 777	15	6 1/2
Ditto of the firſt preſidents of all the parliaments in France, expenſe of criminal proſecutions, and many other articles of that ſort	22 000 000	977 777	15	6 1/2
Appointments of the venal employments, of the robe, treaſurers, receivers, comptrollers, &c.	10 000 000	444 444	8	10 1/2
Bridges, highways, dikes, &c.	4 000 000	177 777	15	6 1/2
For the royal academies - -	1 400 000	62 222	4	5 1/4
To the King's library and archives of France - - - - -	1 800 000	80 000	---	---
Extraordinary and caſual expenſe upon the two laſt articles -	400 000	17 777	15	6 1/2
For lighting and cleaning the city of Paris - - - - -	840 000	37 333	6	8
Appointments of the ſecretary of the cabinet council, for couriers, and other expenſe - -	1 400 000	62 222	4	5 1/4
Ditto of miniſters at foreign courts	1 800 000	80 000	---	---
Total ſum of this branch - -	52 950 000	2 353 333	6	8
Intereſt at 2 1/2 *per cent.* upon 990 000 000 liv. or 44 000 000l. ſterl. of the late King's debts, conſtituted after the bankruptcy 1720 - - - - - -	24 750 000	1 100 000	---	---
Intereſt at 2 1/2, upon 94 millions due to the company of the Indies, upon their old accompts 1720	2 350 000	104 444	8	10 1/2
Carry over	27 100 000	1 204 444	8	10 1/2

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over -	27 100000	1 204 444	8	10 1/2
Farther allowed to the company, for paying their dividends	2 400 000	106 666	13	4
Annuities on lives conſtituted during the laſt war - -	16000000	711 111	2	2 1/2
Total intereſt of debts - -	45 500 000	2022 222	4	5

This article of 16 millions of annuities on lives is the only charge caſt upon the King's ordinary revenue, in conſequence of the laſt war.

Recapitulation of the expenſes	Fr. money. livres.	Sterling ditto. l.	s.	d.
Expenſe of the court - -	28 600 000	1 271 111	2	2 1/2
Fixed military ditto, by ſea and land - - - - -	109 000 000	4 844 444	8	10 1/2
Juſtice, penſions, &c. - -	52 950 000	2 353 333	6	8
Intereſt of debts - - -	45 500 000	2022 222	4	5 1/4
Total expenſe - - - -	236 050 000	10491 111	2	2 1/2
Total ordinary revenue at the end of the war - - - -	282 300000	12546666	13	4
The firſt deducted from the latter, Remains free - -	46 250000	2055 555	11	1 1/2

Beſides the articles of expenſe here ſtated, there are many others, to which no limit can be ſet. The *comptant*, or the King's private orders for ſecret ſervice, and many different expenſes, form a great article. Subſidies alſo to foreign courts: in ſhort,

much more, in all human probability, is ſpent, than all the produce of this permanent revenue can anſwer. So that from this no relief from debts can be expected, except ſo far as it may be augmented by the falling in of the annuities on lives. But public debts are to be paid only by funds appropriated for that purpoſe: and were this revenue to be relieved of the whole 45 millions of intereſt charged upon it, I have little doubt but the King's expenſe would augment in proportion.

I ſhall delay making any obſervation upon the nature of the impoſitions which produce this revenue, until we come to the ſubject of taxes, to which it naturally belongs.

Beſides this ordinary revenue of the Kings of France, which (if we except 26 600 000 livres, or 1 182 222 *l.* 4 *s.* 5 1/4 *d.* upon the capitation, added on account of the war only for a time) may be conſidered as their civil liſt; there are other branches of revenue, which are to be looked on as extraordinary ſupplies, impoſed for raiſing money in time of war, and for paying off the debts contracted, upon the return of peace. Of this nature are *dixièmes* and *vingtièmes*; taxes very contrary to the ſpirit of the French nation, and to which they never have ſubmitted without the greateſt reluctance, and only on very urgent occaſions.

The credit of France fell very low towards the end of the former war, which began in 1744, and ended in 1748. The parliament regiſtered with great unwillingneſs every edict impoſing new burdens. The *dixième* was a great augmentation of revenue,

for the time it laſted; but being an impoſition which the Kings of France never have been able to make perpetual, it could not be pledged for ſuch large ſums as are required in time of war, and which no nation, however wealthy, can furniſh annually, as they are demanded.

To ſupply, therefore, the want of a fund to be mortgaged, and conſequently the want of public credit, the King's banker, M. de Monmartel, with other men in buſineſs, joined their credit, and ſupplied the King's extraordinary occaſions. They opened a ſort of bank *anno* 1745, where they received money at 1*ſ*2 *per cent. per* month, the principal payable on demand. This fund gained credit; payments being regularly made as ſoon as demanded.

Upon ſettling accounts after the peace, *anno* 1748, the King was found indebted to this bank for a vaſt ſum of money. In order to pay it, lotteries were ſet on foot. The tickets were given to the bankers, and they by the ſale of them withdrew their own paper, which was circulating with very good credit on the exchange of Paris. In order to furniſh a fund for this lottery, the King had intereſt with the parliament to get a twentieth penny eſtabliſhed, or one ſhilling in the pound, upon all the revenues of private people in France, except the clergy, and ſome hoſpitals. The ſame was charged upon the induſtry of all corporations of trades and merchants; and to theſe was added a capitation upon the Jews.

This was thrown into what they call the *caiſſe d'amortiſſement*,

d'amortiſſement, or ſinking fund; and appropriated for paying off the lotteries, and ſome of the ancient debts which were to be drawn, for this purpoſe, by lot; and for other extraordinary expenſes incurred in conſequence of the war. This tax was to ſubſiſt, I believe, till 1767. It was this *caiſſe d'amortiſſement* which was ſhut up in 1759, by which ſtep a mortal blow was given to French credit.

Beſides this firſt twentieth penny, there were five other taxes impoſed, and appropriated during a determinate number of years, not exceeding 15 in ſome, 12 in others, for paying off the debts contracted in the war ended 1748, and for ſome extraordinary expenſes of government.

Theſe ſhall be ſpecified in the following general view of this branch of the French revenue.

Second general branch.

Extraordinary taxes eſtabliſhed after the peace of Aix-la-Chapelle, with their appropriations.

	Fr. money. livres.	Sterling ditto. l. s. d.
The firſt twentieth penny on all income	23 800 000	1 057 777 15 6 1/2
Ditto upon tradeſmen and merchants incorporated	6 500 000	288 888 17 9 1/4
Ditto upon the Jews	1 400 000	62 222 4 5 1/4
Total of the twentieth penny, which formed a ſinking fund, ſhut up in 1759	31 700 000	1 408 888 17 9 1/4
The farm of the poſts and *relais* of France	6 000 000	266 666 13 4
Two ſhillings in the pound of the capitation added to it	5 520 000	245 333 6 8
The farm of ſtamp-duties on leather, and duties on tanners bark	2 960 000	131 555 11 1 1/4
The farm of duties upon gunpowder and ſaltpetre	2 988 000	132 800 ---- ----
Two ſhillings in the pound of the twentieth penny added	3 170 000	140 888 17 9 1/4
Total of this ſecond branch of French taxes	52 338 000	2 326 133 6 8

Appropriations of this fund, as follows:

1. For paying, during 10 years, a part of the 990 millions, of

	Fr. money. livres.	Sterling ditto. l.	s.	d.
livres, of old Annuities, charged above on the King's ordinary revenue, and bearing an intereſt of 2 1/2 *per cent.* the yearly ſum of - - -	5 000 000	222 222	4	5 1/4
2. To the India Company, in diſcharge of a debt due to them: for 12 years - - - -	2 000 000	88 888	17	9 1/4
3. For paying the prizes of the bankers lotteries every year as they are drawn: for 12 years	3 800 000	168 888	17	9 1/4
4. Towards making good deficiencies upon the funds appropriated for the war, yearly, till paid - - - - -	18 700 000	831 111	2	2 1/2
5. Ditto upon the funds appropriated to the new *Ecole militaire*	1 200 000	53 333	6	8
6. For payment of perpetual annuities created during laſt war	14 500 000	644 444	8	10 1/2
7. For making good deficiencies upon the artillery and magazines, during the war 1744: for 12 years, the annual ſum of - - - - -	1 800 000	80 000	---	---
8. Ditto upon the article of foreign affairs - - - -	8 690 000	386 222	4	5 1/4
Total appropriation - -	55 690 000	2475 111	2	2 1/2

This branch of revenue appears, by this ſtate, to be totally appropriated to certain purpoſes.

Were appropriations, adhered to in France, and could one be certain that debts are actually discharged, at the period appointed, in conſequence of the appropriation for that purpoſe, we might form a better judgment of the *actual* amount of the debts of France, than in fact any man can do who is not in the adminiſtration.

Of this ſecond branch of taxes I conſider the twentieth penny, the two ſhillings in the pound augmentation upon it, and a like augmentation upon the double capitation; amounting in all to above 40 millions a year, as a reſource which France may have at all times, in caſes of neceſſity; although I do not ſuppoſe it will be poſſible to eſtabliſh them as a fixed revenue. They will probably, however, as matters ſtand, be continued, either in whole or in part, until the great load of debts, recently contracted, ſhall be conſiderably diminiſhed.

As for the remaining ſum, ariſing from the poſts, leather, and ſaltpetre, theſe I conſider as perpetual; becauſe by their nature they are not burdenſome to the people.

We are not to underſtand that the annual ſum of five millions of livres, appropriated for paying off the capital of 990 millions of the old annuities, bearing 2 1/2 *per cent.* ſtated in art 1ſt, was intended to be applied to theſe capitals, at the rate they ſtand. In France it is ſuppoſed that he who gets 20 years purchaſe of the intereſt of his debt, is always fairly paid off; and people there are ſo fond of reimburſements, even at this rate of making

them, that when, about the year 1755, a like ſcheme of paying off thoſe old annuities was ſuggeſted, it was upon condition that every one having, for inſtance, an annuity of 100 livres, ſhould, in order to be entitled to this reimburſement, pay to the King 20 years purchaſe of it, or 2000 livres ready money; and that being complied with, his contract was to be put into the lottery wheel, with all the reſt ſubſcribed for, and if it happened to be drawn, he was to receive 4000 livres; to wit, the 2000 he had paid down, and the other 2000 as the value of a capital of 4000 livres, at 2 1/2 *per cent.*

This every body muſt allow procures a wonderful facility in paying off debts. If the Engliſh creditors could be engaged to enter into the ſpirit of ſuch reimburſements, government, I am perſuaded, would not apply ſo cloſely as they do, to reduce the intereſt upon them; whereby a great diſtreſs comes upon poor widows and orphans, who have their all veſted in the funds. This inconvenience is avoided in France: the poor are cheriſhed by the comfort of high intereſt; the ſtate is ſet free; and the creditors rejoice in getting back their money, in any ſhape whatever.

The war of 1756 breaking out, obliged the King to think of every expedient to increaſe his income. Had he ſet out by borrowing upon annuities for lives, at 10 *per cent.* and by mortgaging his ordinary revenue for the payment of them, his credit would have been more ſolid, and the plan of running in debt more ſyſtematical: but in the end, it would have involved him in the terrible dilemma of either

making a bankruptcy, in order to reinſtate himſelf in the poſſeſſion of his ordinary revenue, or of making him depend more than he inclined upon his parliament; whoſe authority is abſolutely neceſſary for laying a perpetual and regular impoſition, which alone can form a ſolid baſis of national credit.

He was therefore reſolved, in one way or other, to increaſe the impoſitions on the people in the time of war, in order to avoid the conſequences he foreſaw from the loſs of his fixed revenue.

The King's miniſters at this time could not convince the parliament of Paris, that in order to borrow money upon the beſt terms, it was neceſſary to have a ſure fund for paying the intereſt of it.

It had been uſual to borrow money, on preſſing occaſions, from the farmers of the revenue, bankers, and financiers, as they are called, at 7 and even 10 *per cent.* They underſtanding the chain of the affairs of France, uſed to obtain credit both abroad and at home, from people who would not lend directly to the King; although they knew at the time of the loan that the money was borrowed for his uſe. The reaſon was, that the King was under an abſolute neceſſity to keep faith with this ſet of men, upon whom the credit of France has depended for many ages: and as the profits they uſed to make were very great, miniſters knew, by a ſort of inſtinct, when they had gained enough; and in clearing their accounts in the uſual way, a ſufficiency was left to them, to repay what they had borrowed from others.

Perhaps the parliament thought, and perhaps with reaſon, that in the main it was cheaper to borrow in this way, at 10 *per cent.* than in the Engliſh way, at 3 *per cent.* becauſe of the great facility in paying off the debts which attended it; but this is only a conjecture. That there was however a contraſt of ſentiments between the parliament, and the miniſters of the finances at that time, who had contracted Engliſh ideas of credit, is moſt undoubted; and it was this contraſt which brought on the bankruptcy in 1759, when the ſinking fund was ſhut up againſt the creditors by an act of power. To judge of the ſentiments of both parties with candor, let us then examine the plan of borrowing propoſed by the one, and by the other.

The miniſter, M. de Silhouëtte, propoſed to the King, to levy, as a ſolid fund of credit to borrow upon, a general ſubvention, as it was called, over all France; or in other words, to make the repartition of a large annual payment, over all the cities, towns, villages, and ſurburbs in France.

This was to be divided according to the ſuppoſed wealth and quantity of circulation every where. Every diſtrict was ordered to report to the King's council their opinion concerning the particular mode of raiſing their proportional part of it, in the beſt way relative to their ſituation. This report the council was to examine, and to approve or amend the propoſal given in, according to information.

This was perhaps the beſt plan of taxation, if properly executed, that ever has been thought of, for a nation already under a regular adminiſtration

of government, and accuſtomed to pay conſiderable impoſitions.

It removes the inconvenience attending all general taxes, which never fail to affect unequally different places and diſtricts. It admits of a prudent mixture of exciſes, with taxes upon poſſeſſions, according to the internal circumſtances of every place. It confines them to towns, where alone all exciſes at leaſt can be levied with propriety. It lightens the oppreſſion of tax-gatherers; becauſe the corporation may employ whom they will for that purpoſe. In a word, it is a tax adminiſtered with all the advantages of a farm.

This tax, the general ſubvention, after it had been impoſed by edict, regiſtered in a Bed of juſtice September 1756, fell to the ground, from the nature of the French conſtitution; becauſe it could not be levied without a ſyſtematic adminiſtration, ſupported by the authority of the courts of law, to which the parliament would not give their concurrence, for a very plain reaſon.

The general ſubvention being very extenſive, and calculated for a fund of credit to borrow upon, was, by its nature, of a ſpecies proper to become a perpetual tax, as all exciſes are. The parliament of Paris ſeemed to think it agreeable to the conſtitution, which they are ſworn to maintain, to preſerve at all times in their hands a certain power over the King's purſe, in order to prevent an extravagant miniſter from impoveriſhing the King and the kingdom at once, or running them into the inextricable confuſion of an infallible bankruptcy.

This circumſpection of the parliament was repreſented in another light at court; and odious parallels were drawn between what had happened in England about the middle of the laſt century, and what ſoon might be expected in France.

Upon ſuch topics every one judges as he is affected. The miniſter was railed at by the parliament-party, in the moſt virulent manner. Who was in the right, and who was in the wrong, upon the general queſtion, of the propriety of raiſing ſo large an impoſition, to ſerve as a fund of credit, under a government like that of France, I ſhall not here examine. But that a ſolid fund ſhould be provided, in one way or other, proportional to the actual deficiency of the annual ſupplies, and to what could not be raiſed within the year, for the uſes of the war, was, I think, entirely agreeable to principles.

This the miniſter had propoſed in the ſubvention, though perhaps the plan was too great; and the parliament, when they rejected the propoſal, ſenſible that the exigencies of the ſtate demanded a ſupply of money, propoſed in their turn, as an equivalent for the general ſubvention, to coin for 600 millions of notes, which were to have the ſanction of parliament for their fund of payment; but no proviſion was made for the ready circulation of them in the interim.

Here then is an example where the ſentiments of the French nation were divided upon the principles of public credit. And this affords a good opportunity of reconciling them, and of confirming the doctrine we have been endeavouring to eſtabliſh.

The miniſter felt the diſadvantage of the King's borrowing upon a lame ſecurity; he therefore propoſed a ſolid and permanent fund of credit for performing the obligations to be contracted with the creditors.

The parliament, on the other hand, examined the ſituation of the people, who, they thought, were no longer in a capacity to pay the taxes already impoſed; and therefore concluded, that it was unneceſſary to eſtabliſh any new one. They therefore propoſed to augment circulation, by providing a means whereby alienations might be carried on, and by that they expected to render the taxes already impoſed more productive.

Both parties were in the right, as commonly is the caſe in ſuch diſputes; but they did not perceive how their opinions could be reconciled.

Had circulation been facilitated by the eſtabliſhment of a bank upon true principles, perhaps the taxes already impoſed, might have produced a ſufficient fund for carrying on the war, without the expedient of the general ſubvention.

But the manner propoſed by the parliament to increaſe circulation, by paying with paper money, and not providing a fund for realizing it when it came to ſtagnate, was an expedient entirely deluſive. The paper would ſoon have fallen to a great diſcount: the remembrance of the Miſſiſippi would probably have been revived, which would have occaſioned the locking up of the coin; and the kingdom might have been involved in the greateſt diſtreſs and bankruptcy.

The miniſter ſhould therefore have concurred with the parliament in a ſcheme for eſtabliſhing a bank: the King might ſafely have intruſted the adminiſtration of it to parliament, and even have ſupplied coin from the royal treaſury for circulating the paper. But the miniſter, I ſuppoſe, took it for granted, that taxes *would* be paid, providing they were impoſed; and the parliament, that the paper *would* circulate, providing it was iſſued.

The reaſonings I have aſcribed to each party in this diſpute, are not founded upon information: they are only natural conjectures which I form from the oppoſition of ſentiments between men who were all, I ſuppoſe, well acquainted with the ſituation of France, and who reſpectively took part according to the combinations which occurred to them.

The remonſtrances of parliament at that time were filled with an enumeration of diſtreſſes, all of which are the neceſſary effects of a ſcanty circulation. In the King's edicts there is ſtrong reaſoning upon the principles of public credit. The candor I feel in my breaſt, while I examine the merits of this important diſpute, will I hope ſerve as an apology for all miſtakes in point of exact information.

The reſult upon the whole was what might have been expected. The ſubvention was dropt, and the propoſal of the paper was rejected by the King.

The middle term adopted by the parties, ſhowed however, I think, that in the main the miniſter had been in the right; becauſe the taxes were increaſed and paid: had the paper been iſſued

the ſucceſs, I am perſuaded, would not have been favorable in proportion.

But inſtead of a permanent ſubvention, a tax of the moſt odious nature was eſtabliſhed, which, from this very circumſtance, there was little danger of ſeeing long continued.

In the preceding year, a ſecond twentieth penny upon poſſeſſions had been impoſed, to which had been added 2 ſhillings in the pound of the tax itſelf; a new poll-tax upon certain claſſes of the people in proportion to the number of their ſervants; an additional duty upon the ſtamps upon ſilver and gold plate; higher duties on foreign manufactures imported; and 20 *per cent.* on all former duties on conſumption. The ſecond twentieth was to continue until two years after the peace; the other duties for eight years longer.

Notwithſtanding this heavy load already laid upon property, the parliament, rather than conſent to the ſubvention, agreed to impoſe a third twentieth penny upon poſſeſſions; and to render this tax more productive, additional poll-taxes upon place-men, &c. were comprehended in that edict. Thus ended the diſpute: the miniſter was diſmiſſed, and the edict for the general ſubvention was withdrawn.

Beſides the ſecond and third twentieth penny, ſeveral augmentations of revenue were obtained during the laſt war, which I ſhall preſently mention, two of which, for their peculiarity, I ſhall briefly explain.

The clergy of France, ſtrongly preſſed by the

King, ſupported by his parliaments, to give in a declaration of their income, in order to be taxed at ſo many ſhillings in the pound, like other ſubjects, after many evaſions, at laſt ſucceeded in diſappointing the ſcheme. They offered an extraordinary free gift equivalent to the two twentieths, to be paid annually until 1765, and this was accepted.

The ordinary free gift of the clergy is at the rate of a million and a half of livres a year; this they doubled and paid at the rate of three millions a year, which we may conſider as two ſhillings in the pound of all the clergy poſſeſs in France, which makes their revenue to be about thirty millions a year, and I believe it does not far exceed it.

The other branch of revenue is ſomething analogous to a circumſtance in the hiſtory of Engliſh taxes: it was called an extraordinary free gift to be paid by every corporation in France. Charles I. had a very exact valuation put upon all England, when he propoſed to levy ſhip-money. This was found ſo correct that it ſerved for a baſis to regulate the diſtribution of the ſum of 100 000 *l.* a year paid to Charles II. for his courts of wards and liveries *.

In like manner the King of France had a very accurate eſtimate made of all France, when he formed his edict for a general ſubvention, which had pretty much the fate of the ſhip-money. And though the parliament refuſed their conſent to the great ſubvention, they agreed to eſtabliſh the epitome of it in Auguſt 1759: which ſee in the note †.

* Davenant's Ways and Means, Article of Monthly Aſſeſſments.

† This free gift was impoſed upon all cities, towns, burrows,

This tax ſmall as it is, may be of infinite conſequence in times to come. The great difficulty of raiſing taxes is in the beginning, and if the levying of this triſle in every city, town, village, and ſuburb, in France, be carefully conducted, with a view to ſubſequent augmentations, and it if be properly diſtributed upon every branch of conſumption and revenue, nothing will be ſo eaſy to the King as, by his own private authority, to enforce a gradual augmentation of it, and perhaps in time to abſorb in it, the whole, or at leaſt the greateſt part of the revenue of his kingdom.

Beſides the two twentieths, and the free gift of the cities ſeveral other taxes of leſs moment were either

villages, and ſuburbs, in France. And thoſe lying within the juriſdiction of every Intendant were joined in one ſum, leaving the repartition of them to thoſe magiſtrates, as the cuſtom is.

For the generality of Amiens	-	153 300
For the generality of Orleans	-	856 000
For the generality of Paris	-	1 578 000
For the generality of Chalons	-	200 900
For the generality of Poitiers	-	265 200
For the generality of Soiſſons	-	60 700
For the generality of Tours	-	34 434
For the generality of Rochelle	-	131 800
For the generality of Bourges	-	105 600
For the generality of Moulin	-	91 770
For the generality of Riom	-	165 628
For the generality of Lyons	-	397 454
For the generality of Artois	-	150 000
Sum Total	- - - -	3 690 786

Sterling.

£164 034 18 8

The duties impoſed by this arret are to be levied upon all claſſes of the people, nobility, commons, clergy, even nuns and monks; no exception is made except in favor of hoſpitals for their own conſumption only.

impoſed, renewed, or continued for a longer term, and then ſold for raiſing money for the ſervice of the year, viz.

1*mo*, Five years of the free gift of the clergy of France, amounting to 15 millions, were paid down at once by that body.

2*do*, That of the clergy of Alſace, paid in the ſame way, for the ſame term, produced 3 millions.

3*tio*, A duty on firewood, &c. in the city of Paris, valued at 3 400 000 a year, ſold for 7 years, for 10 millions.

4*to*, Another duty upon the conſumption of eggs, butter, &c. valued at 2 400 000, ſold for 15 years for above 30 millions.

5*to*, A like ſum got from the farmers general, for allowing them to raiſe the price of their tabacco 10 *per cent.* for 10 years. The annual amount of this I do not know.

6*to*, And in the laſt place, the third twentieth penny, which produced 36 270 000 a year, was ſold, for the two years for which it was impoſed, for 60 millions.

Thus, of all the impoſitions raiſed during the laſt war, the ſecond twentieth, and an epitome of the ſubvention raiſed in all cities, towns, villages, and ſuburbs, in France, remain unalienated.

In order to throw all the light I poſſibly can upon the preſent ſtate of that nation, I ſhall next briefly recapitulate the extent of the annual ſupplies raiſed for the ſervice of the different years of the war, from 1756 to 1762 incluſive; in which I ſhall point out, as well as I can how this third branch of revenue was appropriated.

It is in this manner only I can communicate to

the reader what I can guefs concerning the prefent ftate of that nation. Could we know, as with us, the amount of taxes, and outftanding debts at every period, that detail would be unneceffary.

The extraordinary grants of 1756, amounted to 121 millions, 5 377 777 *l.* fterling.

In October 1755, the farms of almoft all the taxes were renewed. Upon fuch occafions, it is ufual for the farmers to advance fums in proportion to the extent of their farms, for fecurity of the leafe; for which advances the King, at that time, allowed them an intereft out of their yearly farm-rent of 5 *per cent.* and the fums advanced were appropriated for the fervice of the year 1756. Here follow the fums advanced upon the feveral farms.

	Fr. money livres.	Sterling ditto. l.	s.	d.
1. Upon the general farms, after repaying what had been advanced upon the former leafe, nett into the royal treafure -	40000000	1777777	15	6 1/2
2. Upon the farm of the poſts of France - - - - -	3000000	133333	6	8
3. Upon the farm of the ſtamps upon leather - - -	1000000	44441	8	10 1/2
4. Upon the farm of the *paulette*	1000000	44444	8	10 1/2
5. Upon the farm of duties on gun-powder and ſalt-petre -	1000000	44444	8	10 1/2
6. The farm of the market of Poiſſi was ſold for ſeven years, for - - - - - -	15000000	666666	13	4
This ſum was the price of the total alienation of the duties col-				
Carry over -	61000000	2711111	2	2

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over -	61 000 000	2 711 111 4 2
lected in that market for the whole time; which duties ſhould be marked as a branch of revenue; but as the annual amount of them cannot be aſcertained, it is here thrown in as an extraordinary means of ſupply ariſing from the ſale of a tax.		
7. Beſides thoſe caſual ſupplies from the new farms, there was levied this year, for the ſale of five years revenue of the free gift of the clergy of France, to 1761 excluſive - - -	15 000 000	666 666 13 4
8. And for that of Alſace - -	3 000 000	133 333 6 8
9. Raiſed by a lottery, for which the annual ſum of 3 800 000 was ſet apart for 11 years - -	32 000 000	1 422 222 4 5 1/4
10. And for the ſale of the duties upon firewood, &c. in Paris, for 7 years - - - - -	10 000 000	444 444 8 10 1/2
Total extraordinary ſupplies for 1756 - - - -	121 000 000	5 377 777 15 5 3/4

The ſupplies for 1757, amounted to 136 millions, £ 6 044 444 ſterl.

1. Two lotteries, for which were appropriated, for the firſt, 3 800 000 during 12 years; and

	Fr. money. livres.	Sterling ditto. l. s. d.
for the ſecond, 4 000 000 during 11 years. Theſe ſums were annually to be drawn, and paid every year; for which was paid to the King, for the firſt, 36 millions; for the ſecond, 40 millions; together - - -	76 000 000	3377777 15 6 1/2
2. The ordinary revenue was charged with 6 millions of life annuities, at 10 *per cent.* ſold for	60 000 000	2666666 13 4
	136 000 000	6044444 8 10 1/2
The ſupplies for 1758, amounted to 135 millions, £6 000000 ſterl.		
1. The firſt was a loan of 40 millions, upon a perpetual annuity of 5 *per cent.* propoſed to be paid off by way of lottery, at the rate of 3 2 000 000 yearly - -	40000000	1777777 15 6 1/2
2. The King obliged thoſe who have hereditary offices proportionally to purchaſe additional ſalaries, to the extent of 1 million a year, at the rate of 20 years purchaſe, or forfeit what they had - - - - -	20000000	888888 17 9 1/4
3. The additional 10 *per cent.* upon the price of tabacco, was ſold this year to the farmers, for -	30 000 000	1333333 6 8
Carry over -	90000000	3999999 19 11 3/4

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over -	90 000 000	3 999 999 19 11 3/4
4. The ordinary revenue was charged with 3 600 000 livres, life-annuities, upon two lives, at 8 *per cent.*; ſold for the ſum of - - - - - -	45 000 000	2 000 000 — —
	135 000 000	5 999 999 19 11 3/4
The ſupplies for 1759, amounted to upwards of 194 millions, £ 8 652 923 ſterl.		
1. The firſt ſupply for this year was the epitome of the general ſubvention, called an extraordinary free gift from all the cities, towns, burghs, villages, and ſuburbs in France - -	3 690 786	164 034 18 8
2. 3 600 000 livres of perpetual annuities, borrowed upon the general farms, at 5 *per cent.* until reimburſement, ſold for -	72 000 000	3 200 000 --- ---
Theſe are called the contracts upon the farms; each one thouſand livres capital.		
3. The free gift of the clergy, for five years from 1761 inclusive, ſold at once for - - -	16 000 000	711 111 2 2 1/2
4. The ſecond twentieth penny produced for this year - -	35 000 000	1 555 555 11 1 1/4
Carry over -	126 690 786	5 630 701 11 11 3/4

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over - -	126 690 786	5 630 701	11	11 3/4
5. Sold to the magiſtrates and heads of colleges in ſome towns in Flanders, ſome branches of their own taxes, for - -	8 000 000	355 555	11	1 1/4
6. The ordinary revenue was charged with 3 millions of annuities, called *tontines*, ſold for	60 000 000	2 666 666	13	4
	194 690 786	8 652 923	16	5
The ſupplies for 1760, amounted to above 25 millions, £ 11 186 430 ſterling.				
1. The Paris-duties above mentioned ſold for 15 years -	30 283 900	1 345 951	2	2 1/2
2. The 3d ſhilling in the pound ſold for two years, for - -	72 340 000	3 215 111	2	2 1/2
3. The 2d ſhilling produced this year, - - - - - -	35 000 000	1 555 555	11	1 1/4
4. Raiſed by perpetual annuities, at 3 *per cent.* ſecured on the King's ordinary revenue * -	60 000 000	2 666 666	11	4
Carry over -	197 623 900	8 783 284	8	10 1/4

* When the bad conſequences of ſhutting up the ſinking fund were diſcovered, the King opened ſubſcriptions, ſuch as were the *tontines* of the laſt year, this of 60 millions, and one the next year of 30 millions; in which the diſcredited paper was received, in part payment of the ſum. This I ſuppoſe is the reaſon why the ſupplies of 1759 and 1760 appear ſo high, and alſo why money appears to have been borrowed at ſo low a rate as 5 *per cent.* upon *tontines*, and 3 *per cent.* on article 4th of this year; becauſe the intereſt of that part

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over -	197623900	8783284	8	10 1/4
5. The free gift of the cities, &c.	3690787	164034	19	6 1/2
6. By a lottery at 5 *per cent.* where the diſcredited paper (the payment of which was ſtopt, when the ſinking fund was ſhut up in 1759) was taken in payment for one half, was raiſed - -	50000000	2222222	4	5 1/4
7. Borrowed from the officers of the town houſe of Paris, at 5 *per cent.* ſecured on the ordinary revenue - - - - -	380000	16888	17	9 1/4
	251694687	11186430	10	7 1/4

The ſupplies for 1761, exceeded 120 millions, £ 5 364 034 ſterl.

1. Charged upon the ordinary revenue, 200 000 livres a year upon lives and other annuities, at 10 *per cent.* in favor of the order of the Holy Ghoſt, ſold for	2000000	88888	17	9 1/4
2. Borrowed on the duties upon leather, at 3 *per cent.* - -	30000000	1333333	6	8
Theſe were the annuities which were ordered to be Carry over	32000000	1422222	4	5 1/4

only which was paid in ſpecie is ſtated; not the intereſt upon the diſcredited paper ſubſcribed, which was paid out of the ſir twentieth.

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over -	32 000 000	1 422 222 4 5 1/4
reimburfed after the peace of 1763, at 20 years purchafe; and which, I fuppofe, had been fubfcribed for, partly, in difcredited paper.		
3. Charged on the ordinary revenue, 4 millions a year, for annuities at 8 *per cent.* upon two lives, fold for - - -	50 000 000	2 222 222 4 5 1/4
	82 000 000	3 644 444 8 10 1/2
4. Befides thefe fums, there was the amount of the 2d twentieth, and the fmall fubvention, or free gift, which continued to be applied to the current fervice, as they had not been fold off; *inde* - - - - - -	[38 690 787	1 719 590 10 8
Total -	120 690 787	5 364 034 19 6 1/2
The fupplies for 1762, exceeded 159 millions, £ 7 076 923 fterl.		
1. The farms which had been lett in 1755, came to be again renewed this year; from which arofe a fum for the fecurity of them, of - - - -	83 200 000	3 697 777 15 6 1/2
Carry over -	83 200 000	3 697 777 15 6 1/2

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over -	83 200 000	3 697 777	15	6 1/2
2. There was no borrowing this laſt year of the war. The ſecond twentieth, which never had been ſold; the third twentieth, which this year became free, as it was impoſed a-new for two years more; and the little free gift by all the towns of France; made together an additional ſum of - - - -	76 030 787	3 379 146	1	9 1/4
	159 230 787	7 076 923	17	4 3/4

Recapitulation of the expenſe of the ſeven years of the war. *

	Fr. money. livres.	Sterl. ditto. l.
For 1756 - - - - -	121 000 000	5 377 778
For 1757 - - - - -	136 000 000	6 044 444
For 1758 - - - - -	135 000 000	6 000 000
For 1759 - - - - -	194 690 786	8 652 924
For 1760 - - - - -	251 694 687	11 186 431
For 1761 - - - - -	120 690 787	5 364 034
For 1762 - - - - -	159 230 787	7 076 924
Total - -	1 118 307 047	49 702 535

Having gathered together, from the beſt information I can, the amount of all the extraordinary ſupplies raiſed in France, for the ſervice of the laſt war, let us ſuppoſe, that at the peace, no part of

* The Sterling money, in this recapitulation, is reduced to the neareſt integer neglecting fractions of a pound.

any capitals borrowed had been paid off, according to the plan laid down for that purpose at the time of contracting. Let us suppose, I say, that all the lottery funds and life-annuities, as well as those annuities which were intended to be paid off by way of lottery, stood at their full extent, without diminution, at the peace, and then calculate what sum of debt should have remained upon France in consequence of the war.

As for the sums raised, either upon renewing the farms of the revenue, the amount of new taxes imposed, or such branches of them as were sold at once for a sum of money, they remain no debt upon the King; and are therefore to be considered (as they really were) extraordinary resources drawn from the people, without any recourse to credit or borrowing.

	Fr. money. livres.	Sterling ditto. l. s. d.
These sums collected from the above supplies, and laid together, amount to - - -	520 926 943	23 152 308 16 —
Let us then state the whole of the supplies as above - -	1 118 307 047	49 702 535 — —
And from thence deduct the extraordinary resources drawn from the people, as above, to wit - - - - - -	520 926 947	23 152 308 16 —
There will remain a capital of borrowed money - -	597 380 100	26 550 226 4 ---
Of this the life-annuities (charged upon the ordinary revenue) form a capital of - - -	217 000 000	9644444 8 10 1/2
The lotteries form a capital of -	108 000 000	4800000 --- ---
Carry over	325 000 000	14444444 8 10 1/2

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over - -	325 000 000	14444444	8	10 1/2
And the perpetual annuities, a capital of - - - - -	272 380 100	12 165 781	15	6 1/2
In all, as above - - - -	597 380 100	26 550 226	4	5

Let us next ſee the amount of annual payments for diſcharging either the capital or the intereſt.

	Fr. money. livres.	Sterling ditto. l.	s.	d.
For the life-annuities until extinguiſhed, paid out of the ordinary revenue, - - - -	16 200 000	720 000	---	---
To diſcharge the lottery fund, in 12 years at moſt - - -	11 600 000	515 555	11	1 1/4
Suppoſe the perpetual annuities all at 5 *per cent.*; *inde* - -	13 619 000	605 288	17	9 1/4
Annual ſum of intereſt - -	41 419 000	1 840 844	8	10 1/2

Let me now draw up a ſtate of the taxes raiſed for defraying the expenſes of this war. In that I ſhall only comprehend ſuch articles as exiſted at the peace, unfold: as for the other, we may conſider them only as expedients for raiſing money for the current ſervice; but which, in time to come, may ſerve to augment the revenue.

Third general branch.

	Fr. money. livres.	Sterling l.	s.	ditto d.
1. The 2d twentieth, never alienated - - - - -	35 000 000	1 555 555	11	1 1/4
2. The 3d twentieth, impoſed for the years 1762 and 1763, not alienated - - - -	30 000 000	1 333 333	6	8
3. The free gift of the cities, towns, &c. never alienated -	3 690 786	164 034	18	8
	68 690 787	3 052 923	16	5 1/4

Let me now proceed to the fourth general branch of taxes, or of money raiſed upon the people of France: 1*mo*, To the profit of the farmers: 2*do*, Towards defraying the expenſe of collecting the three foregoing branches of revenue, which amount to about 403 millions: And 3*tio*, To pay what is appropriated to certain purpoſes within the country, here to be ſpecified.

Fourth general branch.

	Fr. money. livres.	Sterling l.	s.	ditto. d.
1. Firſt then, the net profits of all the farmers of the revenue are calculated to amount to about -	17 240 000	766 222	4	5 1/4
2. The expenſe of levying all the revenue is calculated to amount to about 10 *per cent.* of the whole; *inde* - - - - -	40 300 000	1 791 111	2	2 1/2
3. There is a revenue appropriated for keeping up the water-works at all the royal palaces - -	1 200 000	53 333	6	8
Carry over -	58 740 000	2 610 666	13	3 3/4

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over -	58 740 000	2 610 666	13	3 3/4
And to the invalids, St. Cir, and the *hôtel militaire* - - -	7 300000	324 444	8	10 1/2
There are taxes impoſed for clothing the militia, to the amount of - - - -	3 800 000	168 888	17	9 1/4
All the towns in France have particular branches of taxes appropriated to themſelves, for pavement, buildings, &c. and for maintaining the police; which amounts to - - - -	15 000 000	666 666	13	4
And the duties levied in the courts of law for ſentence money, emoluments to the judges (*épices*), and expenſe of regiſtrations, the vaſt ſum of - - - -	27 000 000	1 200 000	---	---
	111 840 000	4 970 666	13	3 1/2

Formerly, all the officers of the courts of juſtice had ſalaries paid out of the King's revenue. Theſe were inſenſibly diminiſhed in every reign, and thoſe court-fees were augmented in order to fill up the void; from which the greateſt oppreſſion enſues.

If to the ſum in this laſt article we add 22 millions above ſtated as a charge upon the ordinary revenue for ſalaries to firſt preſidents, &c. and other expenſes of the law, we ſhall find that the article of juſtice alone coſts near 50 millions of livres, a year, to the public. The greateſt part of this ſum ſhould be conſidered as the intereſt of money borrowed by the Kings of France, the capitals whereof are ſtill outſtanding; and if the capitals were paid off, a great augmentation of income would ariſe from it. But the bad

footing upon which their credit ſtands, renders even this burden expedient on ſome occaſions; becauſe the King can oblige all thoſe who have ſuch hereditary offices, to lend money upon an augmentation of their ſalaries.

To conclude this enormous catalogue of taxes paid by the Kingdom of France, we muſt not omit the laſt branch, which comprehends the heads following:

Fifth general branch.

	Fr. money. livres.	Sterling ditto. l.	s.	d.
1. What is paid for bulls, diſpenſations, baptiſms and burials, to the pope, biſhops and inferior clergy, very near - - -	10 000 000	444 444	8	10 1/2
2. For the ſupport of hoſpitals, a ſort of poors rates - - -	11 500 000	511 111	2	2 1/2
3. To branches of impoſitions, of various kinds, belonging to private people, peers of France, governors of provinces, and officers of all the royal juriſdictions within the kingdom - -	20 000 000.	888 888	17	9 1/4
	41 500 000	1 844 444	8	10 1/4

General recapitulation of all the money raiſed in France by public authority, for whatever purpoſe employed.

	Fr. money. livres.	Sterling ditto. l.	s.	d.
1. The King's ordinary revenue as it ſtood at the peace 1762 -	282 300 000	12 546 666	13	4
2. The extraordinary revenue raiſed at the peace 1748 - -	52 338 000	2 326 133	6	8
Carry over -	334 638 000	14 872 800	0	0

	Fr. money. livres.	Sterling ditto. l.	s.	d.
Brought over -	334 638 000	14 872 800	0	0
3. The extraordinary revenue raiſed on account of laſt war, and for the payment of debts then contracted, not ſold at the peace	68 690 787	3 052 923	14	4
4. The expenſe of raiſing the taxes, and emoluments of the farmers, with other branches perpetually appropriated for defraying regular expenſes - - -	111 840 000	4 970 666	13	4
5. Taxes paid to the church, poor, and private perſons - -	41 500 000	1 844 444	8	10 1/2
Sum total raiſed annually in France	556 668 787	24 740 834	19	6 1/2
Charges, or appropriations of it.				
1. Charges upon the ordinary revenue *per* liſt above - -	236 050 000	10 491 111	2	2 1/2
2. Ditto upon the ſecond general branch *per* ditto - - -	55 690 000	2 475 111	2	2 1/2
3. Ditto upon the third general branch for lotteries and perpetual annuities conſtituted during the war: the life-annuities being already charged in article 1ſt	25 219 000	1 120 844	8	10 1/2
4. Ditto upon the fourth general branch totally exhauſted *inde*	111 840 000	4 970 666	13	4
5. Ditto upon the fifth general branch ditto - - -	41 500 000	1 844 444	8	10
Carry over -	470 299 000	20 902 177	15	6

	Fr. money. livres.	Sterling ditto. l. s. d.
Brought over -	470 299 000	20 902 177 15 6
There remains (unappropriated) for all extraordinary expenſes of ſtate, which completes the ſum total of what is raiſed in France	86 369 787	3 838 657 4 ---
	556 668 787	24 740 834 29 6

In this light does the ſtate of the French affairs appear, from the ſketch I have been able to give of it.

Had the ſum of 86 millions, remaining as unappropriated at the peace, been any way ſufficient for paying off claims which have not appeared upon the ſtate we have given, and for all extraordinary expenſes, the credit of France would not have been ſo low as it then was, and ſtill continues to be.

The expenſe of a Kingdom muſt conſtantly exceed the amount of all regular and permanent income.

At the end of a war what great ſums of debts unprovided for are conſtantly found! Taxes alſo, when ſtretched as they were, and impoſed in ſo great a proportion upon poſſeſſions, in reſpect of what was raiſed upon conſumption, muſt always diminiſh in their produce; but the expenſe and charges never fall ſhort. This is more eſpecially the caſe in a country where paper credit is not eſtabliſhed.

The conſtant complaints for want of money to carry on circulation in the time of war, is a proof of it. When peace returns, and money is kept at

home, then all taxes are readily paid in France, and half the burden of them is not felt, although they be more productive than before.

As I ſaid in ſetting out, I do not pretend that the account I have given of this dark affair, is in any degree ſo correct as to ſatisfy a French miniſter; but it is a rough ſketch, which contains the general ſtate of their affairs; and if it be worth any man's while, who is better informed, he may correct it, and thereby bring on a farther inquiry into the true ſtate of the queſtion.

What intereſt a nation, which is not in an actual ſtate of bankruptcy, can have in concealing its affairs, I cannot find out. How much more then is it not the intereſt of a mighty kingdom, which poſſeſſes ſuch amazing reſources, to expoſe its ſituation in a fair light to the world, to which it muſt, upon all occaſions, have recourſe for aſſiſtance in point of credit?

Of the many branches which compoſe this great national revenue of above 550 millions, there are ſeveral articles which muſt of neceſſity be cut off, ſo ſoon as the debts are brought into a regular form. The double poll-tax is moſt oppreſſive on the poorer ſort, and therefore was impoſed only for a time: the three twentieths, as they are levied, are no leſs ſo upon the higher claſſes of the people.

Theſe four articles amount, however, to 116 millions. If we deduct this from the revenue, as we have ſtated the account of it, it will not only exhauſt the balance of 86 millions, but it will create a deficiency, upon the whole, of 30 millions, which

can only be compenſated by diſcharging a correſponding part of the burden of debts, while thoſe branches do ſubſiſt

But then the ſame reſources are open upon every new emergency; and as they have now begun to be collected, they will be more eaſily paid at another time.

Beſides, what an acquiſition will be made to the revenue by the extinction of 16 millions of life-annuities, and by the expiration of ſo many anticipations of taxes for terms of years!

On the other hand, it is not to be ſuppoſed that the King will continue to demand of the clergy, above 1 500 000 livres a year, or one ſhilling in the pound upon their benefices. That body is becoming daily more and more indebted, by the practice introduced of late, of making payment of their free gifts to the King, by borrowing the money, inſtead of paying every one's proportion out of his benefice. This in time may oblige them to accept of penſions for their benefices, and to make over their revenue in tithes to the King: they will, at leaſt, in one way or other, become, entirely at his mercy, and at that of their own creditors.

Before I conclude, I muſt ſay a word concerning the method of levying the taxes in France.

The moſt general diſtribution I can make of this, is to reduce it under four principal heads.

The firſt comprehends the general *recettes;* to wit, the *taille*, or land-tax, the *capitation*, or poll-tax, and all the twentieths. Theſe are adminiſtered by the intendants of the provinces, who both make the diſtribution

diſtribution of them upon the ſubjects, and who levy them by officers under their direction; and for the expenſe of levying, is ſuperadded to the taxes, 10 *per cent.* upon the whole. When they are collected, they are paid in to the receivers general at Paris, who deliver them in, and account for them to the royal treaſury.

The ſecond comprehends all the taxes which are farmed. The farmers are veſted with the King's authority for raiſing the duties let to them, according to certain regulations; and as they are obliged to keep open books, the expenſe of management is known, and at every new leaſe a reaſonable profit is allowed to them over and above.

The third branch comprehends all free gifts of determinate ſums of money, impoſed according to certain regulations preſcribed to thoſe bodies politic who pay them; into which may be comprehended all taxes upon the clergy; becauſe they levy them themſelves.

The fourth comprehends retentions which the King makes out of the ſalaries he pays. This needs no explanation.

What farther obſervations may be made on this head will find a place when we ſpeak of taxes.

CHAP. VII.

Comparative View of the Revenue, Debts, and Credit of Great Britain and France.

IN comparing the ſtate of credit in the two nations, I muſt firſt obſerve, that it is not ſo eſſential to

compare the *extent of the revenue* of both countries, as the *resources* they have for obtaining extraordinary supplies in case of need.

Whatever be the permanent revenue of a state, we may be very certain that the exigencies of it will be in proportion; and whenever any extraordinary expense is to be incurred, it must be provided for by extraordinary means.

In examining the state of Great Britain and France, we have found this observation verified. If the expenses of the year do no more than absorb the revenue of it, and if the sinking funds appropriated for paying off incumbrances be properly applied, the state has no reason to complain.

This distribution evidently points out how necessary it is not to confound those branches of revenue which are appropriated to state expenses, with those which ought to be set apart for the payment of debts and interest. This however I apprehend is too much neglected in both kingdoms.

If times of tranquillity be not made use of, to disengage those funds which necessity had opened, it cannot be denied, that future exigencies must then seek for a supply, from resources as yet undiscovered.

That nation, therefore, which has certain branches of revenue lying dormant in time of peace, has the advantage in point of resources.

In this respect the advantage hitherto has lain on the side of France; she has had her *dixièmes*, *vingtièmes*, and double poll-tax, which have never been imposed except in cases of necessity.

But on the other hand, Great Britain has a noble and opulent branch of permanent taxes, which com-

poſes her ſinking fund. Were this employed in times of peace, as it ought to be, it would prove in time of war a more ready fund of credit than any France can boaſt of.

Thoſe extraordinary reſources of France cannot be mortgaged. They are ſupplies for the current ſervice; but they are no fund of credit. Whereas the ſinking fund of Great Britain is always ready in the mean time to ſupply urgent demands. While this ſubſiſts, there is no danger of being obliged to break faith with all the public creditors, upon a demand for a million and a half ſterling, as was the caſe with France in 1759. The one reſembles a credit in bank; the other the rents of a great eſtate. The ſinking fund affords time to raiſe new ſupplies, in proportion to the debts contracted; and if theſe, when new, and raiſed in time of war, prove ſufficient to anſwer the intereſt of the loan, they will probably do more as they continue to be levied, and upon the return of peace.

One very remarkable difference between the ſtate of credit in the two nations is, that in Britain the object of attention is the rate of intereſt; in France it is the ſpeedy repayment of the capital. The great care of a Britiſh miniſter is to ſupport the price of the funds: the meaning of which is, to keep the intereſt of money low. Did not the price of the funds regulate the rate of money, the ſtate would be nowiſe concerned in the price of them.

Now the credit of Great Britain is ſo firmly eſtabliſhed, that ſhe may command money at all times, providing ſhe will give the intereſt required.

The caſe is totally different in France. Her credit is not well eſtabliſhed; that terrible Miſſiſippi-monument, of near a thouſand millions, ſtanding fixed upon the ordinary revenue to this day at 2 1/2 *per cent.* firſt reduced from the moſt exorbitant intereſt, by ſucceſſive acts of power, after the late King's death, and afterwards from a moderate intereſt to 2 1/2 *per cent.* in the year 1720, is reaſon ſufficient to deter monied men from lending to France upon perpetual intereſt.

In borrowing upon life-annuities at 10 *per cent.* and upon lotteries at nearly the ſame rate, for 11 or 12 years, France obtains credit for large ſums. She alſo borrows with tolerable ſucceſs at 5 *per cent.* when there is a lottery-clauſe put in, which ſtipulates a large ſum to be annually paid for extinguiſhing the capital. The reaſon is, ſhe is more punctual to ſuch engagements: they remain conſtantly under the eye of the public: the ſtock-holders conſider their money as conſtantly coming in; and any interruption in the payment gives a general alarm. But when funds are ſettled at perpetual intereſt, people loſe ſight of the capital altogether. The contracts by which they are commonly conſtituted, are not ſo eaſily transferred as other funds: in a word, it is not the taſte of the French nation to lend their money in that way, and far leſs the taſte of ſtrangers; and the reaſon is, that as matters have hitherto been conducted, it has by no means been their intereſt.

Before the commencement of the late war, no ſecurity in France was looked upon as better than the actions of the company of the Indies. This was

a fund of perpetual intereſt. They brought in to purchaſers little more than 4 *per cent.* and every body wiſhed to have them. Every action bore a dividend of eighty livres a year; and the action itſelf ſold from eighteen to nineteen hundred livres. The war had not laſted four years, when the dividends were reduced to one half, and the capital fell to about 700.

In ſhort, all perpetual funds in France, whether upon government or company-ſecurity, are very precarious; and while this is the caſe, we may decide that the credit they are built on is precarious alſo.

CHAP. VIII.

Contingent Conſequences of the Extenſion of Credit, and Increaſe of Debts.

HAVING applied the principles of public credit to the ſtate of facts in Great Britain and France, ſuch as I have been able to collect, I muſt obſerve, that all ſhort ſketches of this kind are intended only to ſatisfy a general curioſity which mankind has, to know a little of every thing. Although they may appear ſuperficial and incorrect, to perſons thoroughly inſtructed in thoſe matters, they ſtill are for our purpoſe; which is only to take them as ſomething approaching nearer to truth than bare ſuppoſitions can do; and they ſufficiently anſwer the purpoſe of illuſtrating the ſubject we are upon.

I now proceed to inquire what may be the conſequences of this mighty change produced upon the policy of induſtrious and trading ſtates, from the eſtabliſhment of credit, debts, and taxes.

I have, from the very beginning of this inquiry, occaſionally taken notice of the influence that ſuch a change muſt make upon the ſpirit and manners of a people. The lower claſſes, who are ſlow in forming combinations, do not ſoon comprehend the neceſſary conſequences of ſuch revolutions. Even miniſters have been often at a loſs to judge of the conſequences which might follow upon ſome ſteps of their own conduct relative thereto, although taken upon mature deliberation.

When public credit is employed for raiſing money upon a plan of refunding the capital, either by uniform annual payments exceeding the intereſt, or by funds eſtabliſhed for ſinking the capital, no contingent conſequences can happen, providing the plan be executed: the debts contracted will be paid, and matters will return to their former ſtate.

When public credit is employed for raiſing money upon payment of a perpetual intereſt; or if, whatever be the plan laid down, capitals ſhould not happen to be diſcharged, and that the debts ſhould ſwell continually; in this caſe, the contingent conſequences are many and various, far exceeding any man's ſagacity to inveſtigate.

If we judge of them from what paſt experience teaches us, we may conclude, that, in one way or other, all debts contracted will in time diſappear, either by being paid, or by being aboliſhed: becauſe

it is not to be expected that poſterity will groan under ſuch a load any longer than it is convenient; and becauſe in fact we ſee no very old public debts as yet outſtanding, where intereſt has been regularly paid.

This is a very rational concluſion from paſt experience; but it is only relative to the circumſtances of paſt times. While the debtors are the maſters, there is no difficulty of getting clear of debts: but if the conſequence of this new ſyſtem ſhould be to make the creditors the maſters, I ſuppoſe the caſe might be different. Farther,

In former times public debts were contracted between the ſtate and its own ſubjects; but at preſent we ſee that in ſuch loans, foreigners, even enemies, are invited to concur: and the better to engage them to it, a total immunity is promiſed from all taxes upon the intereſt to be paid by the borrowers.

This circumſtance has already drawn the attention of Princes, in the diſcuſſion of their reciprocal concerns. We ſaw how, in the treaty of Dreſden, which took place after the King of Pruſſia's invaſion of Saxony in 1745, it was provided by the 6th article, that all debts due by the bank of the *Steuer* to that Prince's ſubjects, were to be paid, on preſentation of their contracts.

We have not indeed as yet ſeen wars carried on for the payment of debts; but the caſe may happen, and kingdoms may be carried off upon ſuch pretenſions, as well as private property. What a chain of contingent conſequences ariſes from this ſingle combination, were this a proper place to introduce them!

But without going to the ſuppoſition of Princes or nations becoming reciprocally engaged in debts, and thereby involving ſuch mighty intereſts in the ſupport of public faith, we may eaſily conceive, that a monied intereſt, of a long ſtanding, may have influence enough to operate a change upon the ſpirit and manners of a people.

Let me here take the example of Great Britain. Do we not ſee how the ſpirit of that nation is totally bent upon the ſupport of public credit? And do we not ſee how abſolutely their commercial intereſt depends upon it? Can it be ſuppoſed, that every one has combined all the conſequences which may flow from the conſtant ſwelling of their debts? Or indeed is it poſſible to determine what will be the conſequences of them? This however we may ſuppoſe at leaſt, becauſe we ſee the progreſs of it already, that the intereſt of the creditors will daily gather ſtrength, both in parliament and without: and if from ſmall beginnings it has arrived at the pitch we now ſee, it is very natural to conclude, that, in time, it may become ſtronger, and at laſt, that the creditors of the nation may become the maſters of it.

When any one intereſt becomes too predominant, the proſperity of the ſtate ſtands upon a precarious footing. Every intereſt ſhould be encouraged, protected, and kept within due bounds. The following ſpeculations are intended for the application of principles to new and unexperienced combinations; where natural cauſes *may* work their direct and immediate effects, and thereby prove prejudicial to

the general welfare, unleſs they be foreſeen in ſome degree, and proper remedies be prepared againſt them.

Europe was poſſeſſed by our anceſtors free from taxes; our fathers ſaw them impoſed, and we ſee how faſt they become mortgaged for our debts. We can as little judge of the extent of our credit, as they could of the poſſibility of contributing ſo large a fund for the ſupport of it.

As the plan of impoſing taxes has been extended, we ſee the public coffers every day receiving a vaſt flux of money, and like the heart in the human body, throwing it out again into circulation. Happy ſtate, could it be laſting, and were this flux and reflux preſerved in a due proportion to all the uſes for which it is intended! But ſtates have their vices, as well as private people. Public opulence ſhould be proportioned to public exigencies: but how often do we ſee ambition putting on the face of public ſpirit, and animating the reſentment of a nation, under color of providing for her ſecurity? Hence wars, from wars expenſe: recourſe is had to credit, money is borrowed, debts are contracted, taxes are augmented; all this increaſes circulation, which demands a ſupply of currency: this is procured by melting down the ſolid property. Theſe operations performed, the public money is either ſent abroad, or remains at home. If ſent abroad, more property muſt be melted down, in order to fill up the void. If it remains at home, it will animate every branch of circulation; and when the exigency, which required this additional quantity

of money, is over, what circulation finds ſuperfluous, will ſtagnate in the hands of the monied intereſt, and will either form a new fund for contracting more debts, or it will be laid out in the purchaſe of the property formerly melted down, which produced it; and thereby will be conſolidated a-new.

Every intereſt in a ſtate muſt influence the government of it, in proportion to its conſequence and weight; and every government muſt influence the ſpirit of the people who live under it.

Now, as we have ſeen how induſtry creates wealth; how wealth and confidence create credit; how credit creates debts and taxes; how theſe again occaſion an augmentation of money, by the melting down of property; and how this property is transferred to a new ſet of men, who were once the monied intereſt, and who afterwards acquire the lands, and conſolidate this additional circulation; does not this chain of conſequences repreſent a kind of circle, returning into itſelf? And is it not plain, that without the intervention of this engine, the money created in proportion to the demand for it, the chain would be cut off, before it could reach the link from which it firſt ſet out? Will not this converſion of a monied intereſt into a landed intereſt, inſenſibly inſpire the bulk of the landlords with ſentiments analogous to a monied intereſt? Is not that evidently more and more the caſe every day in England; And from this may we not prognoſticate the ſolidity of public credit in that nation?

If on the other hand we find, as in France, induſtry in times of peace drawing wealth from other nations,

and thereby increaſing the coin, upon which alone credit is circulated through the kingdom; and then foreign expenſe ſending it away in times of war; muſt not circulation keep pace with the coin, that is to ſay, be circumſcribed within the proportion of it?

If the ſolidity and extent of the French King's free revenue ſhould afford credit to borrow this coin; and if, inſtead of providing a proportional ſupply of currency to fill up this new loan, the coin borrowed be ſent out of France; how will the ordinary circulation be carried on?

Let us here recal to mind what was ſaid in the 22d chapter, upon banks, where we diſtinguiſhed *voluntary* circulation, which is buying, from *involuntary* circulation, which is paying: we there obſerved how *paying* muſt always take place of *buying*: conſequently, we may here determine that taxes muſt be paid before buying, that is conſumption, can go on. The deficiency therefore of coin for circulation, will, firſt proportionally affect the trade, manufactures, and conſumption of France, and afterwards the revenue which ariſes from them. Is not this the conſtant complaint in France, when war carries off their coin? The remonſtrances of all their parliaments are filled with it.

In times of peace, the amount of what comes from the people is greater than in time of war: but then there is coin ſufficient for all the payments; and when they are made to the royal treaſury, they immediately return into circulation, and no hurt is felt.

I inſiſt the more upon this principle, and I introduce it in ſo many different ways, and under

ſuch a variety of views, becauſe I take it to be one of the moſt important conſiderations in the whole doctrine of credit, and one which I have never ſeen ſuggeſted by any French, or Engliſh writer upon this ſubject. Many are the complaints for want of money; but no method have I ever ſeen propoſed for obtaining it from ſolid property; the eaſieſt and ſafeſt of all operations, when conducted with honeſty, and according to principles.

As money therefore is the means of cloſing the chain of conſequences already mentioned, and forming it into a circle, as has been ſaid, we plainly ſee how, when it is wanting, the ſame effects cannot be produced; and conſequently the country of France, when money is confined to the coin, will be very long in adopting the ſentiments of a monied intereſt; whether for its profit or loſs, in the end, is not here the queſtion.

We have now traced the contingent conſequences of public credit ſo far as to ſhow how it *may* tend to influence the ſpirit of a people, and make them adopt the ſentiments of a monied intereſt.

The allurement of acquiring land-property is very great, no doubt, eſpecially to monied men. The eaſe and affluence of thoſe, on the other hand, who have their capitals in their pocket-books, is very attracting to the eyes of many landlords, eſpecially at a time when they are paying the heavy taxes laid upon their poſſeſſions.

The firm eſtabliſhment of public credit tends greatly to introduce thoſe reciprocal ſentiments of good-will among the two great claſſes of a people,

and thereby preſerves a balance between them. The monied intereſt wiſh to promote the proſperity of the landlords; the landlords, the ſolidity of credit; and the well-being of both depends upon the ſucceſs of trade and induſtry.

Let us now ſuppoſe what is actually the caſe in Great Britain, that from the ſwelling of public debts an enormous fund of property is created. This is formed out of the income of the whole nation; and as it has been purchaſed by thoſe who have lent money to the ſtate, in common language it is included in what we call the monied intereſt: it is however very diſtinct from it, as will be underſtood from what is to follow.

The capital of the public debts is the price which was paid for the annuities due to the creditors, and is now no more money to them than land is money to the landlord. It may be turned into money, no doubt; but ſo may land.

By the monied intereſt, properly, ſhould be underſtood, thoſe who have money, not realized upon any fund, and who either employ it in the way of trade, in the way of induſtry, in jobbing in land, in ſtock, or in any way they pleaſe, ſo as to draw from it an annual income. While it is fixed, that is, given for any permanent value, it ceaſes to be money; when it is called in, it becomes money again. Let ſtock, therefore, ſuffer ever ſo many alienations from hand to hand, it ſtill continues ſtock: it never can become land, it never can become money, until it be paid off. I hope this idea is clear, and underſtood. Stock, therefore, I here conſider

as one great branch of ſolid property; ſo far as the ſecurity of government is ſolid and good; and as ſuch, may be melted down into money by banks, as well as any other thing.

Now I have ſaid that this fund is formed out of the income of the whole nation; conſequently by *fund*, here, I do not underſtand the capital, which exiſts no more, but the intereſt which is drawn for it: it is this intereſt, I ſay, which ariſes from the land, money, trade, induſtry, &c. From the land, out of the amount of the taxes charged upon it; from the money, trade, induſtry, &c. out of the amount of proportional taxes, ſuch as exciſes, cuſtoms, ſalt-tax, ſtamp-duties, and the like.

The more the debts increaſe, by the monied intereſt realizing into this branch of ſolid property, the more the taxes muſt augment; and conſequently, the more the ſolid property of the funds themſelves will be affected, as well as the land.

From this expoſition of the matter, I think it appears pretty evident, that as proportional taxes affect every man's income, according to his conſumption; the landlord, *cæteris paribus*, who pays a land tax, as well as his proportion upon his conſumption, is more hardly dealt with than the proprietor of the other branch of ſolid property, the funds, who only pays the proportion of the laſt.

But the condition of the ſtockholder is not equal to that of the landlord, for two very plain reaſons. The firſt is, that the income of his ſtock cannot increaſe; that of the land may. The ſecond is, that the ſwelling of this great capital of ſtock has the effect

offinking the intereſt upon it, and conſequently of diminiſhing the income of the ſtockholder; and in proportion to that diminution, the value of land is augmented. Now I readily allow that the augmentation upon the *value* of lands is no inducement to a landlord to turn them into money; becauſe he would then loſe upon his money, what he gains upon the additional price received. But it is a great advantage in this reſpect that he thereby diminiſhes the intereſt he pays upon his debts, if he has any; and if he has none, it enables him to borrow at a lower rate for the future; and by improving his lands with the money borrowed, he augments his income much beyond the proportion of the intereſt paid.

It is therefore neceſſary, in impoſing land taxes, rightly to combine every circumſtance; that the load of all impoſitions may be equally diſtributed upon every claſs of a people who enjoy ſuperfluity, and upon no other. If, after a fair deduction of principles, this ſhall appear a thing poſſible to be done, we may expect to ſee ſtateſmen engaged to depart from the old maxim of graſping at what is readieſt and neareſt at hand, to wit, the landed property, with a view to ſpare a claſs of people, which, in a well regulated ſtate, never can be made to feel the burden of any proportional tax whatſoever, I mean the induſtrious poor.

I now proceed in my inquiry into the nature and conſequences of the ſwelling of this great branch of property, the public funds.

As to the nature of it, we have ſaid already, that it is formed by realizing money into ſtock. When

government borrows, the lenders muſt be people who have money. If the loan is made at home, the money is no ſooner paid in, than it is ſpent; and as we may ſuppoſe that it would not have been lent, had either the lenders found it neceſſary for their current expenſe, or had they found a more profitable way of realizing it than by lending it to government, we conſider it as in a ſtate of ſtagnation; but being lent to government, it is thrown into a new channel of circulation.

Farther, this money ſtagnating in the hands of the lender, either proceeded from his income, which exceeded his expenſe, or from the profits of his induſtry. In either caſe, the country is neither poorer or richer, when conſidered in a cumulative view, than if the ſame ſum had been lent to private people at home.

Let us next ſuppoſe the money to have been borrowed for the exigence of a foreign war. In this caſe, if it be borrowed at home and ſent abroad, it muſt firſt be converted into the money of the world, gold and ſilver, and then ſent off, to the diminution of this kind of property; or it muſt go abroad in the money of the country, credit, to the diminution of the annual income upon which the credit is eſtabliſhed. As this laſt operation may not be ſo clear, an example will explain it.

Government borrows a million; it is paid in paper, and muſt be ſent to Holland. If at that time a balance be due by Holland for a million, bills will readily be found for it. In this caſe, the balance of trade is borrowed by government, and is converted into

into a capital of a million in the public funds, the intereſt of which will remain at home, and continue to be the property of the nation. But as the value of this balance is ſent to Holland and ſpent abroad, it is, upon the whole, to the nation, as if the balance had not been due to them. This I call a *lucrum ceſſans* to the country.

But ſuppoſe no balance due at the time the million comes to be ſent off, I ſay the conſequence will be, to alienate in favor of foreigners a part of the annual income, proportional to the whole intereſt paid for the loan, whether it has been ſubſcribed for by foreigners, or by natives.

If the ſubſcription comes from foreigners, the conſequence is evident: it is equally ſo in the other caſe, upon a little reflection.

Suppoſe then the million ſubſcribed for; and paid in London. Bills are ſought for; none are found, I mean in the way of receiprocal compenſation, does not this ſum immediately become a balance againſt London? And as a country loſes all ſuch balances, and that the country to which they are due gains them, this million is loſt to England, and forms what I call a *damnum emergens*; that is to ſay, her former property or income is ſo far diminiſhed, or comes to be tranſferred to ſtrangers.

From this we may conclude, that in all matters of public borrowing, it is of no conſequence whether the ſubſcription be filled by natives, or by foreigners, when the value of it is to be ſent abroad.

Let us next examine the ſtate of the queſtion when

the loan is made in order to be ſpent at home, as is the caſe after a war, when the unfunded debts come to be paid off.

We have ſaid that loans are filled by money ſtagnating, which the owner deſires to realize: if he cannot do better, he lends it to government; if he can do better, he will not lend it.

While the uſes of domeſtic circulation abſorb all the money in the country, that is to ſay, when there are private perſons ready to borrow all the money to be lent, at this time government cannot borrow at home; and if they did, by offering a high intereſt for it, the borrowing would do harm to circulation; becauſe it would raiſe intereſt at home, or diſappoint thoſe who would gladly borrow it, for little more than the intereſt offered by government.

Let us next ſuppoſe that after a war, when the unfunded debts are either bearing a high intereſt, or ſelling at diſcount, government ſhall find an advantage in opening a ſubſcription, which may be filled from abroad, at a lower rate than the then actual value of money. Suppoſe, I ſay, the Dutch ſhould be willing to lend at 3 *per cent.* while money in England ſtood at 4 *per cent.* I aſk if, in this caſe, government ought to borrow from Holland, at the expenſe of ſending the intereſt out of the country, rather than ſuffer ſuch debts to ſell at diſcount; or to continue paying a higher intereſt at home for what they owe?

It is my opinion that ſtill they ought to borrow, for the following reaſons. That if the high intereſt

at home proceeds from want of money, that is to ſay, from circulation not being full enough, it is their intereſt to borrow, where it for nothing elſe than to ſupply circulation; becauſe unleſs this be full, all induſtry muſt languiſh. But ſuppoſe it ſhould be ſaid that circulation is full enough, that induſtry ſuffers no check from that quarter, but that there being no ſuperfluity of money, intereſt ſtands 1 *per cent.* higher than it would do were there conſiderable ſtagnations. In that caſe alſo, I think it is their intereſt to borrow, were it for no other reaſon than to produce ſuch ſtagnations.

It is a general rule every where, that there is no having enough without having a ſuperfluity; at leaſt there is no certainty of one's having enough without finding a ſuperfluity. Borrowing, therefore, in ſmall ſums, at ſuch a time, will produce ſtagnations at home, from which ſucceeding loans may be filled, after circulation is ſufficiently provided: and even in caſe more ſhould be borrowed from ſtrangers than is neceſſary, and that in conſequence of it, too much ſhould come to ſtagnate at home, after the demand of government is over, in that caſe, the monied intereſt would lend, in their turn, to other ſtates, where intereſt is higher; and the annual returns from that quarter would more than compenſate what muſt be ſent away, in conſequence of the former borrowing.

From theſe combinations, let us draw ſome concluſions.

1*mo*, That the effect of public borrowing, or national debt, is to augment the permanent income

of the country, out of ſtagnating money, and balances of trade.

2*do*, That this income ſo created, may be either the property of natives, or of ſtrangers.

3*tio*, That when money is found to ſtagnate, in a country where circulation is not diminiſhing, it may be ſuppoſed to proceed from the coming in of a right balance of trade.

4*to*, If ſtagnations in one part are found to interrupt circulation in another, public borrowing, for domeſtic purpoſes, has the good effect of giving vent to the ſtagnation, and throwing the money into a new channel of circulation.

5*to*, That the ſum of intereſt paid by any nation to ſtrangers, ſhows the general balance due by the nation, after deducting all the profits of their paſt trade out of all the expenſe of their foreign wars.

But here it muſt be obſerved; that as on one hand we are compreliending all that is paid to foreign creditors, on account of the funds they have in England, for example, ſo on the other hand muſt be deducted from this, all the like payments made to Engliſhmen by other nations.

6*to*, From this laſt circumſtance we diſcover, that the lending to other nations by private hands, produces the ſame effect to a nation as if the ſtate were actually paying off the debts due to ſtrangers. Conſequently, when Moſes permitted the Jews to lend to ſtrangers at intereſt, and forbade ſuch loans among themſelves, his view was to eſtabliſh a foreign tribute, as it were, in favor of his own nation, inſtead of eſtabliſhing luxury at home.

7*mo*, As the balance due to a nation upon her trade, is found to compenſate, *pro tanto*, the money ſhe ſpends abroad, we may from the ſame principle conclude, that ſo ſoon as ſhe ceaſes to expend money abroad, the balance of trade in her favor, if not realized at home in ſome new improvement, will diminiſh *pro tanto*, the intereſt, or capitals due to ſtrangers. This is evident from the nature of balances, of which we have treated already.

8*vo*, The conſequence, for example, of England's owing large ſums to ſtrangers, will, from the ſame principle, conſtantly prevent exchange from riſing very high in her favor, when the balance of her trade is to be paid to her: becauſe on every ſuch occaſion, her foreign creditors will be glad to diſappoint exchangers, by furniſhing bills for their intereſt, or capitals, to thoſe who owe the balance; the conſequence of which is plainly to diminiſh the foreign debts*.

This circumſtance implies no loſs to the nation which is creditor in the balance of trade, and debtor upon the capitals; becauſe we have proved that the price of exchange never affects a nation, but only certain individuals, who pay it to others.

This is ſufficient, I think, to point out in ſome degree the nature of a national debt. I come next to examine the conſequences of its conſtant augmentation, without proper meaſures being taken, either

* We muſt always carefully avoid confounding the grand balance of payments with the balance between importation and exportation, which I conſider as the balance of trade.

to pay it off, or to circumſcribe it within certain bounds.

In what is to follow, I ſhall throw all conſideration of capitals totally out of the queſtion; and as to the amount of taxes, it is quite indifferent whether the money proceeding from them be in conſequence of an improvement made upon thoſe already eſtabliſhed, or from new impoſitions: ſuch combinations will come in more properly afterwards.

If the intereſt paid upon the national debt of England, for example, be found conſtantly to increaſe upon every new war, the conſequence will be, that more money will be raiſed on the ſubject for the payment of it. The queſtion then comes to be, 1. How far may debts extend? 2. How far may taxes be carried? And 3. What will be the conſequence, ſuppoſing the one and the other carried to the greateſt height poſſible?

I anſwer to the firſt, that abſtracting from circumſtances which may diſturb the gradual progreſs of this operation, before it can arrive at the *ne plus ultra*, debts may be increaſed to the full proportion of all that can be raiſed for the payment of the intereſt. As to the ſecond, How far taxes may be carried, I ſhall not here anticipate the ſubject of the following book, any farther than is neceſſary to reſolve the queſtion before us.

Taxes, we have ſaid, either affect income, or conſumption. The land-tax of England is now at 4 ſhillings in the pound, upon a ſuppoſed value of the property affected by it, which is all real and perſonal eſtates, the ſtock upon lands, and ſome few other particulars excepted.

This tax may be carried to the full value of all the real eſtates in England. As for perſonal eſtates it never can affect them proportionally; and that part of the ſtatute of land-tax which paſſes every year, and impoſes 4 ſhillings in the pound on perſonal eſtates, carries in it a veſtige of our former ignorance in matters of taxation.

The notion of impoſing (*facto*) 20 ſhillings in the pound upon the real value of all the land-rents of England, appears to us perfectly ridiculous. I admit it to be ſo; and could I have diſcovered any argument, by which I could have limited the riſing of the land-tax to any preciſe number of ſhillings under twenty, I ſhould have ſtated this as the maximum rather than the other.

The ſecond branch of taxes comprehends thoſe upon conſumptions, exciſes, and the like. The maximum as to this claſs muſt be determined by foreign trade; becauſe this is affected in a certain degree by the price of domeſtic induſtry. Other taxes have not this effect, as we ſhall ſhow in its proper place.

But as foreign trade is not eſſential to the domeſtic induſtry, conſumption, circulation, &c. of any nation, as has been proved in the ſecond book, but only to their increaſing in wealth proportionally to other nations; if foreign communications ſhould be cut off entirely, I perceive no limit to which I can confine the extent of proportional taxes. Let me therefore ſuppoſe a term beyond which impoſitions of all kinds muſt come to a ſtop, and then aſk, in the third place, what will the conſequence be? I

anſwer, that the ſtate will then be in poſſeſſion of all that can be raiſed on the land, on the conſumption, induſtry and trade of the country; in ſhort, of all that can be called income, which they will adminiſter for the creditors.

When this comes to be the caſe, debts become extinguiſhed of courſe; becauſe they come to be conſolidated with the property: a caſe which commonly happens when a creditor takes poſſeſſion of an eſtate for the payment of debts equal to its value.

Then government may continue to adminiſter for the creditors, and either retain in its hand what is neceſſary for the public expenſe of the year; or if it inclines to ſhow the ſame indulgence for this new claſs of proprietors as for the former, it may limit the retention to a ſum only equal to the intereſt of the money wanted; and in that way ſet out upon a new ſyſtem of borrowing, until the amount of taxes be transferred to a new ſet of creditors. This is the endleſs path referred to in the ninth chapter of the ſecond book, which after a multitude of windings returns into itſelf.

A ſtate, I imagine, which would preſerve its public faith inviolable, until a period ſuch as I have been ſuppoſing, would run little riſk of not finding credit for a new borrowing. The proſpect of a ſecond revolution of the ſame kind would be very diſtant; and in matters of credit, which are conſtantly expoſed to riſk, ſuch events being out of the reach of calculation, are never taken into any man's account who has money to lend.

The whole of this hypotheſis is, I readily agree, deſtitute of all probability; becauſe of the infinite variety of circumſtances which may fruſtrate ſuch a ſcheme. I only introduced it to ſhow where the conſtant mortgaging of a public revenue may end; and to diſprove the vulgar notion, that by contracting debts beyond a certain ſum, *a trading nation which has a great balance in its favor*, muſt be involved in an unavoidable bankruptcy. To ſay that a *nation* muſt become bankrupt to itſelf, is a propoſition which I think implies a contradiction.

CHAP. IX.

Of Bankruptcies.

IN the laſt chapter we have been running through a chain of conſequences relative to the increaſe of public debts, which appear as extravagant to us at preſent, as it would have appeared to Davenant, to have ſuppoſed the debts of this nation to grow up to their preſent height, without the riſk of involving the nation in a general bankruptcy.

But thoſe conſeqnences are only contingent. The preſent debts may either be paid off, or the nation may be involved in a general bankruptcy. In either caſe, the vaſt property in the funds, this great article of permanent income, belonging to natives and to foreigners, muſt wither and decay, and at laſt diſappear altogether.

We may therefore decide, that one of three events

muſt happen, viz. either, 1. Debts will ſwell to ſuch a pitch as at laſt to pay themſelves: or, 2. The nation will be involved in a bankruptcy: or, 3. They will be fairly paid off.

The firſt ſuppoſition we have examined; the ſecond we are now to conſider; the laſt will be the ſubject of the following chapter, with which I ſhall conclude this book.

I ſhall advance no argument to prove that the ſcheme of a public bankruptcy is either lawful, honorable, or expedient, if voluntarily gone into by a ſtate; becauſe I think it is diametrically oppoſite to every principle of good government. It is a maxim uncontroverted, that a contract is binding between the parties contracting, and that it ought to be fulfilled in every article. If the public good be alledged as an overruling principle, to which every other muſt give way, I readily admit the exception. There is another of equal force, the impoſſibility of performance. When ſuch arguments are uſed to engage a nation to commit a deliberate act of bankruptcy, two things muſt be examined: the firſt, is the intereſt which the public has in adopting the ſcheme: the ſecond, the conſequences of it. What reaſons a ſtate may have, I ſhall conſider afterwards; at preſent, I ſhall inquire what might be the conſequences of a general and total bankruptcy in England; from which we may gather what difference it would make, were it only partial; and by ſuch an inquiry, we may be led to diſcover the proper method of breaking faith, in caſe it ſhould become unavoidable. This is what in another place I called bringing credit

decently to her grave; when after being overſtretched it cannot longer be ſupported.

A bankruptcy may take place in two ways: either as a conſequence of circumſtances which cannot be prevented; or by a deliberate act of government.

Were the trade and induſtry of England to decay, the amount of taxes might ſo far diminiſh, as to prove inſufficient to pay the intereſt of the national debt, and defray the expenſe of government. Were the people to be blown up into a ſpirit of revolt againſt taxes, the ſame event would probably happen. In either caſe, the natural and immediate conſequences of the bankruptcy would probably follow one another in this manner:

1*mo*, Every creditor of the ſtate would become poorer in proportion to the diminution of his income.

2*do*, Conſumption and the demand for work would diminiſh in proportion to the part of that income withheld, which the creditors annually expend for theſe purpoſes.

3*tio*, Trade would *directly* ſuffer, in proportion to that part of the ſaid revenue yearly thrown into it by the public creditors at preſent; and it would *conſequently* ſuffer, in proportion to the hurt reſulting to private credit, from the conſequences of the bankruptcy.

The creditors then would loſe all, the trade of England would be undone, and the multitudes who live in conſequence of the demand for their induſtry from the one and the other would be reduced to miſery. Theſe immediate effects would firſt manifeſt themſelves in the capital. The conſequences would

ſoon be felt all over England: a diminution upon the conſumption of the fruits of the earth; a ſtagnation of that commerce which is carried on between London and the country (which we have ſeen to be equal to the amount of all taxes and land-rents ſpent in London) would ſoon throw every thing into confuſion. But taxes would be aboliſhed: of that there is no doubt. Let a deliberate bankruptcy take place without any abolition of them by law, they would ſoon ſink to nothing, from the utter impoſſibility there would be found to pay them.

A total bankruptcy, therefore, coming upon England, either from a decay of her trade, or a diſturbance in collecting the public revenue, would have the effect of plunging the nation into utter ruin at home: what might be the conſequences from abroad, I leave to the reader's ſagacity to determine.

Let me now ſuppoſe a bankruptcy to take place from a deliberate act of power, with a view of expediency.

The difference between the two conſiſts only in this; that in the firſt, all the conſequences we have mentioned would follow one upon another, without a poſſibility of preventing them: in the other, a plan to prevent them might be concerted.

Let me then ſuppoſe, that government ſhall find it expedient, at any time, to uſe a ſponge for the public debts; that they ſhall fear no external bad conſequences, either from the reſentment of thoſe ſtates who may be hurt by it, or from the ambition of others who may profit by it; that they ſhall coolly reſolve to ſacrifice the intereſt of all the creditors in

favor of the whole body; and that they ſhall deliberate upon the plan to be followed, in order to bring about ſo great a revolution, without eſſentially hurting any intereſt in the ſtate, that of the creditors alone excepted.

In that caſe, I imagine, they would begin by ordering the amount of all that is paid to the creditors, to be ſet apart as a fund for the execution of the plan. They would purchaſe all over England, every article of produce and manufacture which might remain upon hand for want of a market: they would feed all thoſe who would be forced to be idle for want of employment: they would inſtantly put proper employments into their hands; one week's delay in the execution of this part of the plan would throw the manufacturing intereſt into ſuch confuſion, as to be paſt all remedy: they would furniſh credit to all the merchants ſubſiſting, in proportion to what they had loſt by the extinction of the funds: they would eſtabliſh offices every where, to ſupply the wants of thoſe who would be totally ruined, until by degrees they could re-eſtabliſh confidence, the parent of trade, the mother of induſtry. By ſuch precautions, properly taken, and properly executed, none would ſuffer but the unhappy creditors and their families, who, from great opulence, would be reduced to poverty.

As far as human prudence if inſufficient for going through ſo great a detail all at once; ſo far would the effects of a general bankruptcy add hurtful conſequences to thoſe which in every caſe are unavoidable.

Were a ſtateſman endowed with the ſupernatural

gift of turning the minds of a nation at his will, and of foreſeeing every conſequence before it happened, ſuch a plan might be executed. Another who, with the greateſt capacity ever man was endowed with, would, for expediency, not for neceſſity, deliberately undertake a general bankruptcy, I ſhould conſider as a madman.

I ſhould rather prefer to ſubmit to the natural conſequences which might reſult from an accidental bankruptcy, than endeavour to avoid them by a plan too complicated for human wiſdom to execute.

Let us next ſuppoſe the ſcheme to be fairly executed from a view of expediency, no matter how, and all inconveniences prevented during the execution, what would be gained by it?

If by the ſuppoſition all taxes be kept alive, for at leaſt a certain time, in order to prevent a total confuſion, certainly no body could gain during that period; even the ſtate itſelf would loſe, becauſe every branch of conſumption would infallibly diminiſh. But that time elapſed, and taxes reduced to the loweſt, who would be the gainers? We ſhall ſee when we come to the doctrine of taxation, that a ſudden abolition of them, in conſequence of a bankruptcy, would be advantageous to no body, but to creditors upon mortgage, and to the idle: not to landlords; becauſe their incomes would diminiſh more than in the proportion of the preſent land-tax, at leaſt their improvements would be interrupted, and their rents ill paid: not to the manufacturing claſſes; becauſe at preſent they pay no taxes, but in proportion to their idleneſs or

extravagance, as ſhall be proved; the monied intereſt, not ſecured on land, would I ſuppoſe be extinguiſhed; trade and credit at an end. The gains then would be confined to thoſe who have money ſecured upon land, where the capital is demandable. In ſuch a ſituation, intereſt would riſe beyond all bounds; and a debt which might have been conſidered as a triſle before, might then carry off an eſtate. The idle alſo who live peceably upon a very moderate income, would find a great advantage from the fall of prices for want of conſumption, and from the diſtreſs of the induſtrious; but the indigent poor, who are ſupported from charity, would ſuffer: all the great eſtabliſhments for labor and induſtry, would fall to the ground: the numbers of poor who are there maintained, would come upon a ſociety, which is beginning to loſe thoſe tender feelings of compaſſion, which are more common in countries of idleneſs, in proportion as miſery is more familiarly before them.

To ſay all in one word, a total bankruptcy, and abolition of taxes, would bring this nation back to the ſituation it was in before taxes and debts were known.

Does any body imagine that our preſent ſituation is not analogous to our preſent policy, and that it is poſſible that independently of the ſame circumſtances we ſhould long continue to enjoy the advantages we feel? No: were we in the ſame ſituation as formerly, we ſhould feel as our fathers felt. They had as good underſtandings to improve their circumſtances as we have; but they had to do with an idle, we with

an induſtrious common people. Trade and credit have been long at work to perform this great revolution: the operation is not as yet completed, and a total bankruptcy now would deſtroy every good effect for a long time.

Were taxes made to ceaſe, the large ſums which proceed from them would diſappear entirely. Money would not, as ſome imagine, be equally diſtributed among thoſe who now pay the taxes, and ſo proportionally increaſe every man's income. The reaſon is plain: the money paid for taxes, circulates; becauſe it is demanded. Were taxes ſuppreſſed, people having leſs occaſion for money than formerly, would circulate leſs in proportion. It is the neceſſity of paying taxes, which *creates* this money for the payment of them; and when this method of *creating* is not contrived, the taxes cannot be paid, as has been often ſaid. Now it is this great flux of money from taxes which animates the trade of England: take them out of the circle, what becomes of the whole?

To ſuppoſe, therefore, ſo great a revolution in the circulation of a country, as that produced by the ceſſation of taxes; and to ſuppoſe no interruption from it upon the ſtate of induſtry, and the employment of the people of this nation, is a propoſition I muſt reject, as being contrary to all principles; and to this among the reſt, that it would be a moſt ſudden, and a moſt violent revolution; which throughout the whole courſe of this inquiry, we have found to involve inconveniencies beyond the power of any theory to extricate.

Upon the whole we may determine, that the fatal

conſequences

conſequences of a bankruptcy would be many; and that the good reſulting from a total abolition of taxes, would be confined to two objects 1. A relief to thoſe who pay them upon their poſſeſſions, or perſons. 2. A diminution of prices in favor of the idle at home, and of trade abroad: great objects, no doubt, could they be obtained at leſs expenſe than the conſequences of a total failure of public credit and domeſtic induſtry. Perhaps when we come to examine the principles of taxation, we ſhall find that taxes do not raiſe prices ſo much as is generally believed; and thoſe which influence the application of public money, will point out better expedients than a bankruptcy for compaſſing thoſe great national purpoſes.

But let us ſuppoſe a caſe, which may poſſibly happen, as matters ſeem to go on. Suppoſe, I ſay, that by continuing to carry on long and expenſive wars, the ſum of intereſt paid to ſtrangers ſhould exceed all that the nation can gain by her trade. In this caſe, there muſt be a general balance of payments againſt her every year, which very ſoon would manifeſt itſelf by the moſt fatal conſequences.

The bank of England would be the firſt to feel them, by the departure of all the coin and precious metals. Trade would feel them next, and then indeed they would become univerſal.

In ſuch a ſituation, I fairly acknowledge, that I cannot diſcover any expedient to avoid a bankruptcy. Engaging the foreign creditors to become citizens, by the allurements of the greateſt privileges, and

bills of naturalization, are vain ſpeculations. Unleſs ſome reſource, hidden from me, ſhould, upon ſuch an occaſion, open itſelf, in the deep receſſes of future events, I believe the nation would ſoon be driven upon the fatal rock of bankruptcy. The idea of a nation's becoming bankrupt to itſelf, I have always looked upon as a contradiction; but that it may become bankrupt to the reſt of the world, is quite conſiſtent with reaſon and common ſenſe.

I ſhall not take upon me to ſuggeſt what mode of bankruptcy would in ſuch a caſe be the beſt; a total, or a partial one. The partial, I am afraid, would, in England, work effects almoſt as hurtful as the other. But if ever the caſe ſhould happen, the only way will be, to watch over every ſymptom of the approaching cataſtrophe and to improve circumſtances to the beſt advantage.

Of what infinite conſequence is it then for a Britiſh ſtateſman to inquire into the amount of debts owing to ſtrangers, and into the ſtate of the balance of trade? In ſpeaking of exchange, I threw out many things concerning the idea of putting that branch of buſineſs into the hands of the bank, in conjunction with the exchequer. Were the ſtate brought into the dilemma of either ſubmitting to this gradual decline of trade, from a cauſe which could not be removed; or of being puſhed to the neceſſity of leaping into the terrible gulph of a deliberate bankrupcy; in ſuch a dilemma, I ſay, what infinite advantages might not be drawn from the management of exchange?

I have heard it ſaid, that the debt owing to

ſtrangers was a great advantage to England; becauſe it drew people to that market where their funds are ſettled. I allow all the force any one can give to this propoſition: But alas! what would it avail, whenever England becomes incapable to furniſh goods equivalent to all her imports from abroad, added to all ſhe owes to her foreign creditors?

I am very far from ſuppoſing the preſent ſituation of England to forebode the approach of any ſuch diſaſter; but it is good to repreſent to one's ſelf ſome determinate object, by which we may judge of our ſituation in times to come.

Debts have increaſed far beyond the imagination of every mortal. Great men have uttered prophecies, which have proved falſe, concerning the conſequences of a debt of one hundred millions. From this moſt people conclude, that they will go on until ſome unforeſeen accident ſhall daſh the fabric to pieces. I have been pretending to ſhow how they may go on in a perpetual chain. But alas! one fatal combination was there omitted; and now that is has been taken in, I think it ſerves as a datum, to reſolve the moſt important problem of this ſcience, viz. How to determine the exact extent of public credit. The ſolution of which is, That it is not neceſſary that public credit ſhould ever fail, from any augmentation of debts whatever, due to natives; and that it muſt fail, ſo ſoon as the nation becomes totally unable either to export commodities equal to all their imports and foreign debts, or to pay off a proportional part of their capital, ſufficient to turn the balance to the right ſide.

From this propoſition two corollaries may be drawn.

1*mo*, That the moſt important object in paying off debts, is to get quit of thoſe due to ſtrangers.

2*do*, That whatever circumſtance has a tendency towards diminiſhing the burden of foreign debts, ſhould be encouraged.

If it be ſaid, that whenever our foreign debts exceed the balance of our trade, the beſt way would be to break faith with ſtrangers, and keep it with the ſubjects of the ſtate: I anſwer, that were the thing poſſible, which I apprehend it is not, the conſequence might prove equally hurtful.

The greateſt of all the inconveniencies proceeding from a bankruptcy, is the ruin of induſtry, and the ſtop put to circulation. Can it then be ſuppoſed, that a country might execute ſo glaring a ſcheme of treachery to all her neighbours, and ſtill continue her correſpondence with them in the open way of trade? Certainly not. Were all foreign trade to be ſtopt at once, what a revolution would it occaſion! The circulation of foreign trade, in the city of London only, exceeds perhaps the amount of all the taxes. A ſtop put to that would occaſion ſuch a ſtagnation, as would ruin the nation as much as if the bankruptcy were to become univerſal. I do not here pretend minutely to trace conſequences, which are infinite: all that can be done, is to ſuggeſt hints, which every one may purſue, in proportion to the extent of his combinations.

The intention of touching upon this ſubject at all, is to ſhow, that the expedient of a ſpunge, which is

frequently talked of as a remedy againſt the conſequence of debts, is, perhaps, more dangerous than any thing that can be feared from them. The reaſon is, that the ſpunge implies a more ſudden bankruptcy than any one brought on in a gradual way, by natural cauſes.

Were natural and irreſiſtible cauſes to operate a total failure of all profit upon the trade of Britain, one cannot ſay how far the other nations of Europe might not find it their intereſt to aſſiſt *us*, providing we did our utmoſt to preſerve our good faith to *them*. And as I think I have made it ſufficiently evident that nothing can be gained by openly violating ſuch engagements, the beſt reſolution a nation can take, is to adhere to them to the laſt extremity, and to baniſh from their thoughts every idea which may be repugnant to them.

CHAP. X.

Methods of contracting and paying off Public Debts.

WE are now to collect together, in one view, the ſeveral methods of contracting and paying off the debts of a nation. Such methods may be deduced, either from principles, or from what practice has pointed out.

The foundation upon which public credit is built, is the exiſtence of a ſure and ſufficient fund for performing the engagements contracted.

When, in the early times of public credit, the repayment of the capital was the chief object of the

lender, a much more extenſive fund was neceſſary than at preſent, when no more is required than the payment of the intereſt. As ſuch funds never can be formed but from taxes, or general contributions from the people, the greater they are, the larger muſt the contribution be. Whenever therefore there is occaſion to contract debt, the chief object of a ſtateſman's care ſhould be, to model the ſpirit of his people ſo as to diſpoſe them to concur in the proper reſolutions to render the plan propoſed as eaſy as poſſible in the execution.

In the firſt place, the body of the people muſt be made ſenſible that the conſequence of contracting debts muſt imply a diminution upon the income of ſome individuals; but that the fewer the obſtacles thrown in the way of the loan are, the leſs will that diminution be.

In the ſecond place, he muſt gain the confidence of his people, ſo far as to impreſs them with a firm belief that he will conſult *their* good, and nothing elſe, in what he undertakes.

And in the laſt place, he muſt gain the confidence of thoſe from whom he is to borrow; and convince them that all covenants between the public and them will be religiouſly performed.

In a limited and free government, theſe three requiſites are eſſential to the firm eſtabliſhment of public credit.

Where the power of the ſtateſman is unlimited, he may ſubſtitute his authority over the people, in the place of confidence; but with reſpect to thoſe who are to lend, he will fill no room for any ſuch ſubſtitution: confidence *here* is the only expedient.

All therefore that is required as to the people, is to *enable* them to do what he requires of them.

For that purpoſe he muſt eſtabliſh credit with them, for finding the contributions he is to exact of them; becauſe they will have as much occaſion for it, in paying what is demanded of them by authority, as he himſelf has in paying what he is obliged to in conſequence of his engagements.

If this general plan be not followed, the conſequence will be, that taxes will fail on one hand, and public credit on the other.

If all this operation cannot be previouſly concerted, the plan of borrowing muſt be circumſcribed to funds previouſly eſtabliſhed.

When money is borrowed before the fund is prepared, every obſtacle which occurs in eſtabliſhing it is a drawback upon the confidence of thoſe who lend, and renders the conditions leſs favorable to the ſtate which borrows.

In the contract of loan, the firſt article to be agreed upon is the rate of intereſt. We have, in the beginning of this book, examined the cauſes of its riſe and fall; and have in general determined, that when the demand is for borrowing, intereſt riſes; when for lending, intereſt falls.

As the object of the borrower is to have intereſt low, the ſtateſman who intends to borrow, muſt uſe all poſſible means to increaſe the quantity of money in circulation.

But if coin alone be uſed as money, and if this coin be ſent out of the country, when borrowed, and if what is ſent away cannot be replaced at will,

the ſcheme of augmenting money becomes impracticable: it will daily become more ſcarce, more difficult to procure, and intereſt muſt riſe higher every day. Symbolical or paper money, that is credit, muſt then be eſtabliſhed at home, upon the firmeſt baſis: this will enable every one to pay what he owes; conſequently, the taxes will be paid, the creditors will receive what is due to them regularly, money will every year augment in proportion as debts are contracted; and if borrowing do not augment beyond that proportion, intereſt will not riſe; and if borrowing ſhould fall below that proportion, intereſt will ſink.

Is not this whole doctrine verified in the ſtrongeſt manner by the operation of the Miſſiſippi? At the death of the late King of France, money had diſappeared. Some years before, he had, for ſeven millions in coin, engaged his kingdom for thirty-two millions; upon a diſtant fund indeed; but ſtill it became a debt to be paid. Paper money had not been introduced three years, when intereſt fell to 2 *per cent.* The paper indeed was a bubble *in fact;* but we have ſhown that it became ſo from bad management only.

By the augmentation of money, capitals ceaſe to be ſo valuable. By the melting down of property, the very capital, though in the hands of the ſtate, may be turned into money by the creditor, whenever he has occaſion for it; in the ſame way as the coin which is buried in the vaults of the town-houſe of Amſterdam, is conſtantly performing all the uſes of circulation.

The method, therefore, of borrowing money to the beſt advantage; is previouſly to eſtabliſh a fund of credit, ariſing from annual taxes; to provide the people who are to pay them with money in proportion to their property or induſtry; and to prevent the latter from ever failing for want of the medium, money, for carrying it on.

So long as intereſt ſtands high, relatively to other ſtates with which you are at war, throw as much money as poſſible into the hands of your creditors, in payment of the debts already contracted; becauſe the more you throw in there, the more you will draw out, if you have occaſion to borrow more; and if you have no occaſion to borrow more, the lower you will reduce the intereſt, by augmenting the fund of money to be lent.

From theſe principles I conclude, that every nation which ſets out by contracting debts with its own citizens, muſt *begin* by borrowing upon condition of repaying the capital in a ſhort term of years. This is alſo the beſt method to engage the people to contribute largely without murmuring. The reaſon is, that when taxes begin to be impoſed, the maſs of circulation becomes proportionally augmented; and the paying back conſiderable ſums to the creditors, prevents, on the one hand, the debts from increaſing ſo faſt, and ſupplies circulation, and facilitates new borrowings on the other. While this plan of augmenting circulation is carrying on, the ſtateſman muſt prevent his expenſe abroad from diminiſhing it proportionally at home. This is to be accompliſhed by opening loans for foreign expenſe in foreign

countries, and by paying the *intereſt only* of ſuch loans, with the greateſt punctuality.

The difficulty of performing this, is no argument againſt it. It muſt either be done, or credit will be hurt; becauſe without obtaining credit abroad, it is impoſſible to defray any expenſe incurred abroad, beyond what the metals of your country and the exports from it can pay: that is, in other words, beyond the quantity of metals exported, and general balance in your favor upon all reciprocal payments with the world.

If it be ſaid, that nations never pay the intereſt of their debts any where but at home, I anſwer, that it is ſo much the worſe for them; becauſe wherever the debts or intereſt is to be paid, the lender always ſtates his account as if the payment were made in his own houſe. All the expenſe to him of ſending his money to the place of ſubſcription, and of drawing back his returns, are compared with the intereſt offered by the borrower; and if upon the whole the lender finds his account in the bargain, he ſubſcribes; otherwiſe not. Since therefore the money borrowed muſt in this caſe be ſent abroad, it is an advantage for the borrower to be under an obligation to provide a method of ſending it; and by that means he will borrow cheaper than he can do, when he refunds to every lender all his expenſe and trouble in getting his intereſt remitted to him.

I am now deducing principles, and therefore ſhall not enter into a diſcuſſion of the many objections which occur againſt this plan, from foreign conſiderations; ſuch as the facility it might procure to a

ſtateſman of defrauding his foreign creditors, and ſeveral others which might be formed: all I ſay is, that this is a cheaper and more ſyſtematical way of borrowing, and it has this good effect, that it conſtantly points out the ſtate of the external debt, from which alone a bankruptcy is to be feared.

Were a favorable balance to return after an expenſive war, the payment of this foreign debt would be the conſequence, as much as now when the payment is made at home, and rather more ſo; becauſe who-ever owed a balance (to England, I ſuppoſe) would then pay his debts at London, with money due by England, payable at Antwerp, for example; conſequently, he would transfer at diſcount; and when he transferred in favor of an Engliſhman, the debts may be conſidered as diſcharged upon the foreign fund, and ſtated a-new upon the funds payable in London. Could the payment of the intereſt of the public debts be rendered ſuſceptible of ſuch transfers upon all occaſions, it would, I imagine, have a remarkable effect in favor of public credit.

This thought ſuggeſted itſelf, while I was conſidering the ſituation of a country where borrowing is in its infancy; and it occurred as an expedient *for preventing foreign expenſe from draining the country of the money neceſſary for circulation at home. This*, in every combination of circumſtances, is the moſt important object of a ſtateſman's care while he is engaged in wars abroad.

Now whether the money of a country be paper or coin, it is equally taken out of circulation, by every foreign payment. When it is coin, it goes out of the

country, as well as out of circulation: when it is paper it does not go out of the country, certainly, but by coming upon the debtor in it for payment, it is equally taken out of circulation; and what the debtor gives for it (viz. a bill of exchange upon another country) goes out of the country. And unleſs that bill of exchange can be paid with value exported in merchandize, it will remain a debt upon the country, contracted in favor of ſome other nation.

This I hope will be ſufficient to recal to mind what has been ſo fully explained in the 13th chapter upon banks; where the ſame queſtion was ſtated with regard to the payments Scotland was obliged to make to England, towards the end of laſt war. The ſame principles operate in the caſe before us, and may be applied to every circumſtance of it; with this difference only, that here the ſtateſman's intereſt is more cloſely connected with that of his banks than was the caſe during the diſtreſs in Scotland: becauſe if he does not ſupport them by a ſyſtematical chain of conduct, he will drain the fund of circulation by his remittances; his credit will fail; his taxes will not be paid; and his people will be oppreſſed. But if he purſues his plan ſyſtematically, circulation will be kept full; his credit will be ſupported; his taxes will be paid; his people will be eaſy: becauſe no check will be put either to induſtry or to conſumption for want of money, a great part of the former ſolid property will be melted down into money; whatever part of that money is lent to the ſtate will be by that operation, conſolidated into a new ſpecies of property, the public funds; and if after the borrow-

ing ſcheme is over (that is, when peace is reſtored) circulation ſhould be contracted, a part of the money will ſtagnate in the hands of individuals, and will, in their favor, be realized in that part of the ſolid property which was melted down in order to produce it. That is, lands will be ſold by the former proprietors, and will be acquired by thoſe who have money not realized in ſtock; and for which circulation has no farther demand. This is the reaſon why, at the end of every war which has run the nation in debt, lands have conſtantly riſen in their value, even when conſiderable quantities of them have been offered to ſale.

If it be ſaid that the ſtock-holders are thoſe whom we commonly ſee buying the lands, and not thoſe who have ſums not realized:

I ſhall, in anſwer, obſerve, that the ſtock-holders can only buy lands by ſelling their ſtock, to thoſe who have money not realized; ſo it is ſtill the money not realized which is employed in buying every article of ſolid property: and even after that operation, the money ſtill remains in circulation; becauſe it is impoſſible to realize even paper money itſelf, except when the creditor in it becomes proprietor of the property upon which it is ſecured; and if the money be coin, it is plain that this cannot be realized any farther than it is by nature. When therefore we ſay, that a man realizes his money, we do not mean any thing farther, than that he gives his money to another in exchange for ſolid property. Thus when an eſtate is bought in a country where banks

upon mortgage are eſtabliſhed, a part of the price is commonly taken out of circulation altogether; becauſe in conſequence of the price paid, the bank is refunded what it had melted down of the land ſold; conſequently, that paper becomes conſolidated a-new, as it were, with the lands which are relieved of the mortgage.

But when lands are ſold in a country where there is no paper, the price remains in circulation as before; and if the quantity of coin in circulation ſhould exceed the uſes for it, a caſe which ſeldom happens in theſe days, it would be exported, and realized abroad.

When this complicated and ſyſtematical ſcheme of credit is not eſtabliſhed, the infallible conſequence is, that money diſappears: conſequently intereſt riſes. The taxes formerly impoſed cannot be paid: conſequently, it is in vain to ſeek to augment them; becauſe in proportion as they are augmented, they become leſs productive. If money be borrowed upon remote funds, engaged for other debts previouſly contracted, and if public faith be at all events to be preſerved, the conſequence muſt then be, that the public will be eat up by uſurers.

This was the caſe in England during the wars of Queen Anne.

So early as 1706, government, as has been ſaid, began to borrow at 6 *per cent.* upon funds already engaged. What was the conſequence? The exchequer having no money to pay the intereſt as it fell due, paid with tallies; theſe fell to great diſcount, and had they remained long in that diſcredited

ſituation. lending would have ſtopt, or intereſt would have riſen, as in France, ſo high as to loſe the name of intereſt altogether. This was the caſe, in the example above cited, when ſeven millions ready money, borrowed by the late King of France, became a debt of thirty-two millions on the ſtate.

Upon the occaſion above mentioned, government availed themſelves of the bank of England, as I ſay every private citizen ſhould have a power to do, on every occaſion, when his credit is good, though money ſhould fail him. They engaged the bank to diſcount all tailles iſſued for intereſt of debts; that is, in other words, to turn thoſe ſticks into money: but as public credit was ſo low that money could not be found to diſcharge even the intereſt of the advance made by the bank, the government conſented, that all advances of that kind ſhould bear compound intereſt quarterly, at 6 *per cent.* What a monſtrous profit to the bank! what a charge upon the ſtate! Had banks of circulation upon mortgages been eſtabliſhed at that time, money would have come in at a moderate ſimple intereſt to individuals, who would have availed themſelves of them, for the payment of all public burdens. Inſtead of which, induſtry was made to ſuffer; the public money did not come in; taxation ſtopt; expenſes went on, and deficiencies were paid by the public at this monſtrous charge.

On the other hand, had it not been for the aſſiſtance the bank then gave the ſtate, in circulating thoſe exchequer tallies, bills, &c. it is very certain that credit would have failed as totally in England

as it had done in France in 1708, when Deſmaretz undertook the finances. This miniſter had no bank to avail himſelf of, and accordingly he run France in debt at the rate of two hundred millions of livres *per annum*, during ſeven campaigns; of which, I am perſuaded, he did not receive one half, or near it, in effective value.

What I have ſaid will, I hope, be ſufficient to ſhow that the only way for any ſtate to borrow, is previouſly to provide a fund for making good what is agreed upon with the lenders; and that all expedients to ſupply the want of it will in the end bring great expenſe upon the people, either by involving them in an exceſſive burden of debts, in caſe public engagements ſhould be held ſacred, as has conſtantly been the caſe in Great Britain; or by driving the ſtate to a bankruptcy, as was the caſe in France upon the death of the late King. I call it a bankruptcy, becauſe *all* that was owing was not paid. A man who pays no more than 19 *s.* 11 3/4 *d.* in the pound, is a bankrupt, as well as he who cannot pay one farthing.

I now come to the methods of paying off debts when already contracted.

Public debts may be divided into two claſſes, redeemable and irredeemable. Redeemable debts may be paid off in ſeveral ways, which we ſhall briefly enumerate before we compare their ſeveral advantages.

Firſt then, ſuch *debts* may be paid off at once, by refunding to the creditors the whole capital, with all arrears of intereſt,

2*do*,

2*do*, *They* may be paid off yearly, according to a certain rule to determine the preference, and order of payment: for this purpoſe, a determinate ſum muſt be ſet apart as a ſinking fund.

3*tio*, *They* may be paid off cumulatively and proportionally every year, by incorporating the ſinking fund into the money appropriated for diſcharging the intereſt, and by placing all that is paid beyond the intereſt, as payment in part of the capital.

4*to*, *They* may be paid in one ſenſe, as ſhall be farther explained, by reducing the intereſt upon the capitals, without diminiſhing them.

5*to*, *They* may be paid off by converting them into annuities for lives.

6*to*, And laſtly, *they* may be paid off under the value of the capitals, by the means of lotteries; where the ſtate may gain what the creditors chuſe to loſe from a deſire of gaining.

To one or other of theſe methods may be reduced all the fair and honeſt expedients which a ſtate may employ to get rid of their debts, without any breach of public faith, or without proceeding to the extremity of preſcribing conditions of payment, which the creditors are forced to accept againſt their will.

As for the irredeemable debts, I apprehend, that, without conſent of the creditors, no change upon the condition of loan can juſtly be made.

I ſhall next point out the advantages and diſadvantages of the ſeveral methods, of diſcharging debts, as they may affect the ſeparate, or cumulative intereſt of a ſtate.

Were large debts which have ſubſiſted for a long time to be paid off all at once, it would occaſion a ſudden and a violent revolution, which is always attended with inconveniences.

Were, for example, the proprietors of lands to conſent to ſell off a part of their eſtates for the payment of the public debts, the quantity of land brought to market, would ſink the price of it very conſiderably; from which would ariſe a great detriment to landlords. I ſhall not here inquire from whence ſuch a ſum of money could come.

Could a treaſure be brought from India (let me ſuppoſe) ſufficient at once to diſcharge the debts of Great Britain, circulation would become ſo glutted with money, that intereſt would fall to nothing. This would be a temporary loſs to all the former creditors, until they had time to lend to the other ſtates of Europe, who would, in conſequence of the revolution, ſink the rate of intereſt upon their own debts. Something like this was the conſequence of paying off all the debts of France with bank notes in 1720, upon which intereſt fell, as we have obſerved above, to 2 *per cent.*

When, in the ſecond place, debts are paid off partially every year, according to a certain rule, it is expedient to have the capitals reduced into ſhares of a determinate value, as is the practice in France, that they may be drawn out as in a lottery. The lots drawn may then be paid, and no detriment will follow to any particular creditor, more than to another: becauſe if by being paid there be either profit or loſs to the creditor, it will affect the

value of the whole ſtock in proportion. If, upon the eſtabliſhment of ſuch a plan, the ſtock be found to riſe, it will be a proof that either the intereſt formerly paid was below the common rate, or that the credit of the ſtate was looked upon as precarious: if it ſhould ſink, contrary concluſions may ſafely be drawn.

This is a common method of paying off debts in France, where funds are more commonly divided into ſhares than in Great Britain.

In 1759, the King opened a ſubſcription for ſeveny-two millions of livres upon the general farms: this ſum was divided into ſeventy-two thouſand actions, bearing 5 *per cent.* and it was ſtipulated, that upon the renewal of the farms in 1762, twelve thouſand actions ſhould be drawn by lot, and paid off monthly; ſo that in ſix months the whole debt was to be diſcharged.

The third method of applying what is annually paid above the intereſt, in extinction of the capital, is the meaſure propoſed by Cardinal Richlieu for diſcharging the debts of France; only the Cardinal went to work in a very arbitrary way, both in determining the intereſt, and in fixing a value upon the capital, equally detrimental to the creditors.

To apply this to an example. Had England at the time government firſt eſtabliſhed a ſinking fund, ariſing out of the ſavings which were made upon reducing the rate of intereſt, from time to time, continued to pay to the creditors the ſame annual ſums as formerly; and thereby applied what was paid beyond the intereſt, to the payment of the

capital, there could not have been any miſapplication of the ſinking fund; and the debts by this time would have been greatly diminiſhed. Whereas by applying the ſinking fund to the ſervice of the year, for the eaſe of the people and advantage of the creditors, the conſequences *may* prove exceedingly inconvenient.

The fourth method of reducing debts is that adopted by Great Britain, viz. by reducing the intereſt paid upon them. From this we diſcover the reaſon why taxes, even in time of war, are ſeldom augmented in this kingdom much above the proportion of the intereſt of the money borrowed.

We have, in the ſecond chapter of the firſt book, boldly declared this to be againſt principles, and the authors of ſuch a ſcheme were there ſtigmatized as men of no foreſight: we now ſee how much people may be miſtaken in their concluſions in political matters, when they are formed upon too narrow combinations.

Were capitals intended *ever* to be paid, no doubt the concluſion would be juſt; but if it be reſolved, that capitals ſhall never be conſidered as the object of attention, and that the intereſt alone ſhall be looked upon as the real burden, then all payment of capitals is unneceſſary, except ſo far as by paying a part of them, it may ſerve to reduce the intereſt upon the reſt, by making money regorge in the market beyond the uſes found for it.

This plan cannot be carried on while a nation is engaged in an expenſive war, which abſorbs all the money to be lent: but it becomes the object of a

ſtateſman's care, after peace is reſtored, and when trade begins to bring in a balance upon exportations.

We have ſeen how that balance tends every year to diminiſh the capitals due to ſtrangers, and to keep money at home. Then is the time to extend taxation beyond the uſes found for money to pay the intereſt. Two or three millions extraordinary, raiſed at the cloſe of a war, and thrown into the hands of the creditors of Great Britain, in extinction of their capitals, would ſoon engage them to cry for mercy. They would find no outlet but France for ſuch ſums; and it is preciſely after a war, that France is buſy in playing off the arbitrary operations on her debts, which reduces her credit too low for any one to truſt her with money. Let peace continue for a few years, confidence will there advance apace, and then it will become more difficult to make money regorge in England.

To ſay that taxes are already beyond all bounds, is, in other words, to ſay the nation is no more in a ſtate of defence: becauſe ſhould Britain be again involved in an unavoidable war, the conſequence will be, either to render more taxes indiſpenſable, or to oblige the nation to ſubmit to any terms demanded by her enemies.

If it be therefore true, that taxes may ſtill be augmented, the moſt proper time for augmenting them, is, at the very cloſe of a war; becauſe then every circumſtance favors the ſcheme, as we ſhall now explain.

We have ſaid above, and experience proves the truth of it, that at the end of a war circulation

becomes too full for domeſtic uſes; and that the ſuperfluity of money is realized upon property. This is the conſequence of a ſudden ſtop in national expenſe. Were taxes at ſuch a time augmented, part of this regorging money would find a vent by the augmentation upon domeſtic circulation which taxes would occaſion; which augmentation would circulate into the exchequer, inſtead of becoming conſolidated with property, as has been ſaid, and coming into the hands of government, would be poured into thoſe of the creditors, in payment of part of their capitals. There it would regorge a-new; becauſe it is obſerved, in general, that thoſe who have property in the funds are not apt to ſquander money when unexpectedly thrown into their hands; on the contrary, they are commonly found to live very much within their income *.

* Experience ſhows, that when the debts of a nation have come to a height, the public creditors become people of great conſequence, upon account of the eaſe and affluence of their circumſtances. They are not expoſed to the many hidden expenſes incident to land proprietors. They are a claſs in the ſtate but lately known; the capital of their wealth is hid; and opinions concerning their figure and rank are as yet unformed. Whereas the family of a land proprietor is known; his expenſe *may ſurpaſs* that of his predeceſſors without much obſervation; but if it ſhould *fall below it*, he commonly ſinks in the eſtimation of his neighbours, who ſeldom combine circumſtances which can only be gueſſed at. An heir to a landed eſtate, is bred up from his infancy with the notion of living like his father: the ſon of a monied man has commonly every different ſentiments; and even when any of this claſs takes a turn to expenſe, the luſtre of it is all diſplayed round their own bodies; that is, in their own houſe, and in their own

But ſuppoſe it ſhould not immediately regorge, it would then increaſe expenſe and conſumption; conſequently, would advance induſtry, and render every branch of exciſes more productive. In every combination we can form, public opulence would be augmented: money would regorge at laſt; and then the creditors would come with their application to government to ſuſpend the reimburſement of capitals, and to accept, in lieu of that, a diminution upon the intereſt.

This is the golden opportunity for diminiſhing the public burden occaſioned by debts; and this method of compaſſing ſo deſirable an end, is far preferable to that of compelling creditors to ſubmit to a diminution, by offering a ſudden reimburſement which was put in practice in Britain in the year 1749, as has been obſerved. Had the public waited with patience one year longer, and then thrown in a few millions more than they did into the hands of the creditors, the propoſal of reducing the intereſt would have come from the other quarter; which in all bargains with creditors is of the greateſt conſequence to the debtor.

The ſum of intereſt thus diminiſhed, upon an obligation to ſuſpend the reimburſements of capitals

families: no country ſeats, hounds, horſes, ſervants in every quarter, family intereſt to keep up, little economy in ſpending. In a word, every one feels better than I can deſcribe, that landed men commonly exceed, and monied men commonly live within their income.

for a limited time, three queſtions will naturally occur: 1. Whether the taxes ſhould be diminiſhed in proportion: or 2. If they ſhould be allowed to ſubſiſt with a view to apply the overplus of them to national purpoſes: or 3. Whether it may not be moſt adviſeable to turn ſuch a part of the debts into annuities for lives, as may abſorb the ſaving upon the former intereſt paid. The firſt two queſtions I reſerve for the following book, where they will be fully examined; the laſt is the fifth expedient propoſed for acquitting the public debts. As the nature of it is abundantly evident, I ſhall only repeat what I formerly obſerved, that this method of eſtabliſhing a ſinking fund, has the advantage of being leſs expoſed to miſapplications than any other.

The laſt expedient of paying off capitals, below the original value, by the means of lotteries, ſhould only take place after intereſt is brought ſo low as to cut off any near proſpect of reducing it ſtill farther.

I ſhall not pretend to gueſs at the loweſt point to which the rate of intereſt may be brought, by the expedients of increaſing money at will, by the means of banks upon mortgage. I have in the ſeventh chapter of the firſt part of this book, thrown out a hint of a land-bank, which opens a very wide field of ſpeculation; but in this place, it would be unneceſſary to enlarge upon that ſubject.

Let me ſuppoſe the rate of intereſt brought lower in Britain than any where elſe, it will nevertheleſs be ſubject to periodical riſings, on many occaſions.

Upon every ſuch emergency, capitals will ſink in the market below par.

It is then *only* that a ſtate can have recourſe to this laſt expedient of opening lotteries, and taking in ſubſcriptions at the market price of the funds ſubſcribed into them. And although the annuities to be paid upon the lottery fund be regulated by the rate of intereſt at the time, and conſequently conſiderably above the ſtandard of the other debts; yet the ſame methods of reducing it afterwards will conſtantly produce their effects, and thereby diminiſh the capital by degrees.

In like manner, in time of war, when the public funds fall greatly in their price, government may open new ſubſcriptions, and receive payment for them in their own paper at the market price, allowing a ſmall premium in the rate of intereſt. If the creditors willingly ſubſcribe upon theſe conditions, no violation of public faith can be alledged. By this operation, the capitals will be diminiſhed, and the advanced rate of intereſt paid during the war, will return upon the peace to where it was: then the new ſubſcriptions may be paid off, or ſubſcribed for again at a lower rate than before.

Suppoſe it then reſolved, that in time of war, the nation's creditors ſhould be allowed at certain times, to ſubſcribe their capitals in books opened at the bank for that purpoſe, one quarter *per cent.* above the ſelling price. Would not this have the good effect of ſupporting the price of ſtocks on one hand, and of reducing the capital of the national debt upon the other? Example.

Let me ſuppoſe that in time of war, the 3 *per cents.*

ſell at 74 3/4, might not government receive them at 75, and conſtitute the new ſubſcription at 4 *per cent.*? What intereſt could any one have not to ſubſcribe, who at ſuch a time intends to ſell his ſtock? His 3 *per cent.* ſold to government at 75, and turned into a 4 *per cent.* would afterwards, when ſold in the market, produce 1/4 *per cent.* more than if it had not been ſubſcribed into the new fund.

Perhaps in Change alley, where calculation is carried to the utmoſt pitch of refinement, even this eventual advantage to government might ſink the value of the new 4 *per cents.* Let this be allowed. The anſwer is, that when people compute with ſuch nicety, and comprehend in their calculations every circumſtance the moſt minute, it is, I think, the intereſt of a ſtate (whoſe views ſhould extend far beyond the period of human life) to grant a premium upon ſuch ſubſcriptions more than ſufficient to indemnify the ſubſcribers, according to the moſt rigid calculation concerning their preſent advantage.

The ſmalleſt profit to be diſcovered by the niceſt pen will engage the monied man to ſubſcribe; conſequently, the capitals of debts may be diminiſhed, at a loſs to the public almoſt imperceptible. And for this imperceptible loſs in the mean time, the greateſt national advantage may be obtained at a diſtant period.

It is now full time to cloſe this book, which has ſwelled far beyond its due proportion. The ſubject of credit and debts is ſo connected with many queſtions relating to taxes, and to the application of their

amount, that the connexion of the ſubject would have ſuffered little in blending them together. But as I find it is a great relief to the memory to interpoſe, now and then, a pauſe; and as taxes were intended to be treated of by themſelves, according to the plan I at firſt propoſed, I ſhall make no alteration in it.

At the end of the firſt and ſecond books, I ſubjoined a chapter of recapitulation; in the third book, this was ſupplied by a very full table of contents; here, becauſe of the intimate connexion of the ſubject of this and the following book, I ſhall refer the reader to the end of the volume, for a full recapitulation of both.

AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BOOK V.
OF TAXES, AND OF THE PROPER APPLICATION OF THEIR AMOUNT.

INTRODUCTION.

THE ſubject of taxes is ſo cloſely connected with every branch of political economy, that I have not been able to avoid anticipating a ſubject, which, according to my plan, is left for the concluſion of this work.

What has been hitherto introduced concerning taxation, in treating of induſtry, trade, money, credit, and debts, relates principally to the effects of taxes upon circulation, prices, and ſeveral other things relatively to thoſe ſubjects.

What therefore remains, not as yet touched upon, chiefly concerns the principles which determine the nature of every tax, relatively to the intereſt it is intended to affect.

To inveſtigate the different conſequences of taxes when impoſed upon poſſeſſions, and when upon conſumption, are queſtions which relate directly to the principles of taxation. But in this book I ſhall alſo have occaſion to trace out, farther than as yet I have done, certain combinations concerning the effects which taxes have in multiplying the fund of circulation: and as the augmentation of taxes tends greatly to increaſe money, I am thence led to examine, how far the advantage gained by the ſuppreſſion of taxes may not be more than compenſated to a nation, by the inconveniences proceeding from ſo great a diminution of circulation.

Taxes have all along been ſuppoſed to enhance the price of living; we ſhall therefore have an opportunity of inveſtigating the proper extent to be allowed to that general propoſition.

CHAP. I.

Of the different Kinds of Taxes.

TAXES have been eſtabliſhed in all ages of the world, under different names of tribute, tithe, tally, impoſt, duty, gabel, cuſtom, ſubſidy, exciſe; and many others needleſs to recapitulate, and foreign to my ſubject to examine.

Though in every ſpecies of this voluminous category, there are certain characteriſtic differences; yet one principles prevails in all, upon which the definition may be founded.

I underſtand therefore by *tax*, in its moſt general acceptation, *a certain contribution of fruits, ſervice, or money, impoſed upon the individuals of a ſtate, by the act or conſent of the legiſlature, in order to defray the expenſes of government.*

This diſinition may, I think, include, in general, all kinds of burdens which can poſſibly be impoſed. By fruits are underſtood either thoſe of the earth, or animals, or of man himſelf. By ſervice, whatever man can either by labor or ingenuity produce, while he himſelf remains free. And under money is comprehended the equivalent given for what may be exacted in the other two ways.

I have no occaſion to conſider the nature of ſuch taxes as are not in uſe in our days. Tributes of ſlaves from conquered nations are as little known in our times, as contributions of ſubſiſtence from the ſubjects of the ſtate.

I divide, therefore, modern taxes into three claſſes. 1. Thoſe upon alienation, which I call proportional: 2. Thoſe upon poſſeſſions, which I call cumulative or arbitrary: and 3. Thoſe exacted in ſervice, which I call perſonal. Theſe terms muſt now be fully explained, that I may uſe them hereafter without being miſunderſtood.

A proportional tax preſents a ſimple notion.

It is paid by the buyer, who intends to conſume, at the time of the conſumption, while the balance of wealth is turning againſt him; and is conſolidated with the price of the commodity.

Examples of this tax are all exciſes, cuſtoms, ſtamp-duties, poſtage, coinage, and the like.

By this definition, two requiſites are neceſſary for fixing the tax upon any one: firſt, he muſt be a buyer; ſecondly, he muſt be a conſumer. Let this be retained.

A cumulative or arbitrary tax, preſents various ideas at firſt ſight, and cannot well be defined until the nature of it has been illuſtrated by examples.

It may be known, *1mo*, By the intention of it; which is to affect the poſſeſſor in ſuch a manner as to make it difficult for him to augment his income, in proportion to the tax he pays.

2do, By the object, when inſtead of being laid upon any determinate piece of labor or conſumption, it is made to affect paſt and not preſent gains.

3tio, By the circumſtances under whichit is levied, which imply no tranſition of property from hand to hand, nor any change in the balance of wealth between individuals.

Examples of cumulative taxes are land-taxes, poll-taxes, window-taxes, duties upon coaches and ſervants, that upon *induſtrie*, in France, and many others.

A perſonal tax is known by its affecting the perſon, not the purſe of thoſe who are laid under it. Examples of it are the *corvée*, in France; the ſix days labor on the high roads, and militia ſervice before pay was allowed, in England *.

Having thus explained what I mean by proportional, cumulative, and perſonal taxes, it is proper to obſerve, that however different they may prove in their effects and conſequences, they all agree in this, that they ought to impair the fruits and not the fund; the expenſes of the perſon taxed, not the ſavings; the ſervices, not the perſons of thoſe who do them.

This holds true in every denomination of taxes. In former days, when annual tributes of ſlaves were paid, and even at preſent among the Turks, where it is cuſtomary to recruit the ſeraglios of great men by ſuch contributions, I conſider the young women who are ſent, as part of the fruits of the people who ſend them. This is a fundamental principle in taxation; and therefore public contributions, which neceſſarily imply a diminution of any capital, cannot properly be ranged under the head of taxes. Thus

* The *corvée* in France is the perſonal ſervice of all the laboring claſſes, for carrying on public works. Were they paid for in money, it is computed they would amount to no more than 1, 200, 000 livres a year. This tax was omitted in the account of the French revenue.

when

when the Dutch contributed, not many years ago, the hundredth part of their property towards the ſervice of the ſtate, I cannot properly conſider that in the light of a tax: it was indeed a moſt public ſpirited contribution, and did more honor to that people, from the fidelity with which it was made, than any thing of the kind ever boaſted of by a modern ſociety.

CHAP. II.

Of proportional Taxes, and their proper Object.

WHATEVER exiſts for the uſe of man, ſo far as it is conſidered as a fund for taxation, may be claſſed under the following heads: 1. The produce or fruits of the earth; 2. the produce of the induſtry of man; or 3. his perſonal ſervice. Farther,

Fruits cannot be obtained without the neceſſary labor of man and cattle. As this labor preſuppoſes all the neceſſary conſumption of maintenance, &c. the produce of the land muſt be underſtood, with regard to taxes, to be that part of the fruits only which remains after deducting an equivalent for all neceſſary expenſes in making the earth produce them. The net produce alone of the earth is to be conſidered as a fund liable to taxation; and every contribution which bears not a juſt proportion to that quantity, is wrong impoſed, as ſhall be ſhown as we go along.

Again, as to the produce of work: this cannot be

brought into exiſtence without ſome expenſe, viz. the maintenance of the workman; that is to ſay, his food, raiment, fire, lodging, and the expenſe he is at for tools, and every other neceſſary. This we ſhall, for the future, call his phyſical-neceſſary. The value of the work, over and above an equivalent for theſe articles, is the only fund to be taxed with regard to the workman.

As to work itſelf, we have ſeen above (Book II. chap. 26.) in the general diſtributiton of things which may be purchaſed with money, how it was ranged under the claſs of things incorporeal. For that reaſon, the work performed cannot come under taxation; and therefore the perſon working, who by work acquires a balance in his favor, is brought to be affected by proportional taxes upon the articles of his conſumption; and when it is found that theſe articles ſuffer no alienation before they are conſumed by him, and conſequently eſcape taxation, then he may either be laid under the cumulative taxes, which will affect his wealth, or under the perſonal, which are paid in work itſelf, and in that reſpect may be conſidered as the fruit of the man.

Nothing would be ſo eaſy as a general rule for impoſing proportional taxes, did the laborers of the ground actually conſume a part of the fruits of the earth, and the other induſtrious claſſes a part of their own work, in lieu of this phyſical-neceſſary. In that caſe, nothing but what remained of fruits and work, not already conſumed by the immediate producers, would come to market for the uſe of thoſe who do not work; but who have an equivalent to give for

it, out of the produce of paſt induſtry. Where that, I ſay, the caſe, then at the time of alienation (or, as we expreſſed it in the 26th chapter of the ſecond book, at the time when the balance of wealth is going to turn in favor of the induſtrious, againſt the idle conſumer) a tax proportional to the value of the alienation might, with the greateſt propriety, be impoſed, as we ſhall preſently diſcover.

This, I hope, will recal to mind the principles deduced in the chapter above cited, where we made it appear, how the induſtrious claſſes, who furniſh conſumable commodities for the price of their overplus, muſt conſtantly have the balance of wealth turning in their favor: and when once they arrive at a certain degree of eaſe, proportional to their ambition, then they give over working, and become incorporated into the claſs of thoſe who have enriched them.

Thus matters go on in a perpetual circle. The induſtrious become eaſy, and the public lays the conſumers under a perpetual contribution in proportion to their expenſe.

The hypotheſis we have made, is not entirely agreeable to matter of fact; becauſe the operation of taxes is far more complex than we have deſcribed it to be; but by ſimpliſying it, as I have done, it ſerves to give an idea of the reſult, or general conſequence of proportional taxes, which, when properly impoſed, do affect the idle only, but never the induſtrious.

Were, I ſay, the operation of taxation as ſimple as we have repreſented it, nothing would be more

eaſy than to deduce its principles. Nothing would come to be refunded to the laborer or workman, at the ſale of his ſurplus. This ſurplus would be equal to the whole produce of the earth, and whole induſtry of the country, deducting the phyſical-neceſſary of all the induſtrious; and this phyſical-neceſſary need not then be deducted; becauſe it is ſuppoſed to be conſumed in the very production of the ſurplus, as the aqueous part of ſea water is conſumed before you can have the ſalt.

This illuſtrates what has been ſaid, viz. that the fruits of the earth are only to be reckoned to exiſt, after deducting the neceſſary expenſe of providing them. For though in fact a farmer poſſeſſes all his crop after harveſt, yet part of it, *as to him*, is virtually conſumed out of his own ſtock, or that of others who have furniſhed him food and neceſſaries all the time it was coming forward: conſequently, that part neither belongs to the ground, or to the farmer,

If it be urged ſtill, that the whole muſt be ſuppoſed to exiſt with regard to the ſtate, I agree to the propoſition; but according to our argument, it muſt not be ſuppoſed to exiſt in favor of the ſtate, to the prejudice of the farmer; for this reaſon, that the total of the farmer's expenſe muſt be underſtood to have been taken from the ſurplus of other people's induſtry, and therefore if the crop be ſuppoſed to exiſt with reſpect to the ſtate, becauſe it is in the farmer's yard, the ſurplus of induſtry which he has conſumed muſt not be ſuppoſed to exiſt in favor of the ſtate, at the ſame time. But as the farmer is ſuppoſed to have paid the tax upon what he has bor-

rowed and conſumed, he muſt *draw it back* from thoſe who, in their turn, are to conſume his crop: and if he draws it back, he cannot be ſaid to pay it, although the ſtate profits of it as much as if he did.

Does it not appear from this analyſis, that a ſtate can only take gratuitouſly and proportionally out of the ſurplus of fruits and induſtry? Now what is here called ſurplus, relatively to the induſtrious, is the neceſſary fund of conſumption for all the rich and idle; conſequently, were the ſtate to diminiſh any part of the *quantity*, the idle and the rich would be deprived of a ſufficiency: but in regard that thoſe who do not work give money, which is the price of all things, in exchange for what they conſume, there the ſtate ſteps in, and ſays, we aſk nothing of thoſe who have nothing but their phyſical-neceſſary, this they have been allowed to take; we take none of their ſurplus from them, this we allow them to ſell to you: but as for you, who do not work, and have in your coffers wherewithal to purchaſe the labors of your induſtrious brethren, this labor you ſhall not profit of, unleſs you give the ſtate a certain value out of your wealth, in proportion to the work and fruit you are going to conſume, although you have contributed nothing towards the production of it.

Hence it appears evident, that without *money* there could be no tax impoſed: for, were the ſtate to take their proportion of the real ſurplus, and diſpoſe of it out of the country, a part of the inhabitants would be ſtarved. But by any equivalent's being found, quite different from the ſurplus itſelf, of no uſe for ſubſiſtence, the whole produce of induſtry

is left for the uſe of thoſe who have it; the ſtate takes what part of the equivalent they pleaſe from the idle; and no body ſtarves, but ſuch as have not money, nor induſtry, nor the talent of exciting the compaſſion of the charitable.

By this ſimple repreſentation of a moſt complicated operation, I have been able to deduce the capital principle of proportional taxation. If the reaſoning be found ſolid, it may be retained; becauſe we ſhall have occaſion to recur to it, at almoſt every new combination.

CHAP. III.

How proportional Taxes are drawn back by the induſtrious, and how that drawing back is the only reaſon why Taxes raiſe the Prices of Commodities.

WHAT perplexes our notions in the theory of proportional taxation, is, that the induſtrious man, inſtead of bringing his ſurplus to market, is obliged to bring the whole of his work.

Let me, therefore, ſuppoſe him to be creditor upon one part of his work, and proprietor of the other. This will divide it, as it were, into two parts, which I ſhall call (A) and (B).

(A) repreſents that part upon which he is creditor, and anſwers to all the expenſe he has already been at; that is, to his phyſical-neceſſary, as we have called it. This we have ſaid ought to be conſidered as virtually conſumed by the workman, and if a tax

be raiſed upon it, it muſt not affect *him*; that is, he muſt draw it totally back from the perſon to whom he diſpoſes of it. (B) on the other hand, repreſents that part of which he is proprietor, to wit, his profit; and therefore may either be taxed or not, as the ſtate ſhall think fit.

If it be taxed in the hands of the induſtrious man, without ſuffering an alienation, the tax will be of a cumulative nature. If it be left free to him, and taxed to the perſon who buys it, it will be of the proportional kind, as we ſhall ſee afterwards. Again,

In the firſt caſe, it will check the growing wealth of the induſtrious man; in the ſecond, it will accelerate the diſſipation of the buyer.

Taxes, therefore, of the firſt kind, are proper to be impoſed in countries where the ſtate is jealous of growing wealth, as we have obſerved in the 25th chapter of the ſecond book. If the tax, again, be laid upon the buyer, then the balance turns in favor of the induſtrious man, in proportion to the full amount of (B), and produces no other effect than to accelerate the diſſipation of the buyer.

Let us now take in a new combination.

If, when the work is brought to market and ſold, the price ſhall not exceed the value of the induſtrious man's (A), then he is of the claſs of thoſe we call *phyſical-neceſſarians*, who accumulate no profits. If the price of it be leſs than (A), he becomes a load upon the ſtate, a bankrupt to thoſe who have fed him upon credit, and will die for want, unleſs he be ſupported by charity.

So far with regard to the ſeller: next as to the buyer.

The buyer appears at market with his money. When he comes there he muſt give, firſt, an equivalent for the prime coſt of the merchandize: that is, he muſt refund every expenſe neceſſarily incurred in producing it; or he muſt refund the value of (A). Next, the induſtrious man has a claim upon him for his profits, viz. his (B). Then comes the ſtate, who claims a part of his wealth, in regard that he is going to purchaſe what his own induſtry has not produced. This is the tax; I ſhall call it (C). This tax will be found of the proportional kind. It will not affect the growing wealth of the ſeller, but it will accelerate the diſſipation of the buyer; and will pull down the ſcale againſt him, in favor of the induſtrious. This is a proper tax, in countries where the ſtate obſerves the maxim of ſharing the wealth of thoſe who diſſipate.

Let us now take in another combination. Let us ſuppoſe this buyer to be an induſtrious perſon, and the thing bought to be a neceſſary material for the manufacture in which he is employed. Is it not plain, that when the ſecond induſtrious man comes to market to ſell his work, which I alſo ſuppoſe compoſed of his (A) and his (B), that his (A) is a ſtill more compounded body? It firſt includes his own phyſical-neceſſary, as above: 2. the (A) and (B) of the man from whom he bought the materials: and 3. the (C) which he paid to the ſtate for the liberty of acquiring what he himſelf had not produced.

Whoever therefore buys from the ſecond induſtrious man, muſt, in like manner, refund to him his full; (A); he muſt alſo pay him his (B); and then he will find the ſtate claiming their (C), as in the former operation.

This being done, let us examine the intereſts of all parties. The firſt induſtrious man has no reaſon to complain of the tax; becauſe he was paid his neceſſary expenſe (A), and alſo his (B) for his profit; and the ſtate realized the tax at the expenſe of the ſecond induſtrious man, who paid it. Now we ſaid that the diſſipation of his wealth was accelerated in proportion to the value of what he paid for (C), but as he is none of the idle, and as the thing bought was a material neceſſary for his manufacture, the ſecond buyer finds himſelf obliged to refund the whole amount of the firſt (A), (B), (C); becauſe the ſum of them make a part of the ſecond man's (A). Now it is the refunding of this (C) to the induſtrious man which is the only circumſtance, from which proceeds the riſe in the price of commodities, in conſequence of proportional taxes. Moreover, the ſecond buyer muſt pay the ſecond induſtrious man's (B), in favor of the balance which is going to turn againſt him; and laſt of all, he muſt pay the ſecond (C), which is the ſhare the ſtate requires of him, in order to accelerate his diſſipation.

Now let us obſerve, that if the commodity bought by the ſecond induſtrious man, be not neceſſary for the exiſtence of his manufacture, it cannot enter into his (A), and therefore muſt be diminiſhed upon his (B); and if his (B) cannot pay it, then he will owe it to ſome body, and for the future muſt either abſtain from ſuch expenſes, or leave off working, in favor of thoſe who can live without them.

Let me illuſtrate all this by an example.

A tanner ſells his leather to a ſhoemaker; the

ſhoemaker in paying the tanner for his leather, pays the tanner's ſubſiſtence and profit, and the tax upon leather.

The man who buys the ſhoes for his own conſumption, refunds all this to the ſhoemaker, together with his ſubſiſtence, profit, and the tax upon ſhoes; conſequently, the price of ſhoes are raiſed, only by refunding the taxes paid by the induſtrious.

But if the ſhoemaker's ſubſiſtence ſhall happen to include either tavern expenſes, or his conſumption on idle days, he will not draw theſe back; becauſe other ſhoemakers who do not frequent the avern, and who are not idle, will underſell him: he muſt therefore take his extraordinary expenſe out of his profits; and if his profit be not ſufficient, he muſt run in debt to the tavern-keeper.

The extravagance and idleneſs, therefore, of particular workmen does not check induſtry, nor raiſe prices; for theſe will always be in proportion to demand, and there is no reaſon why demand ſhould either riſe or fall, becauſe a particular workman is extravagant, or conſumes a commodity not neceſſary for his manufacture or ſubſiſtence.

From this example there ariſes a new combination: that in proportion as the induſtrious do not conſume of the produce of their own induſtry, but come to market with the whole, and then purchaſe the work of others, they are conſidered, as to taxes, in the light of idle conſumers, who do not work, but purchaſe with money the fruits of the induſtry of others. By this operation, the taxable fund is augmented beyond the extent of the general ſurplus

called (B). The reaſon is plain. Whatever is brought to market is ſuppoſed to be ſurplus, as it *may* there be bought by the idle, as well as the induſtrious. The only difference is, that the firſt do not draw back the tax, and that the ſecond do, as we have already ſhown.

From this reaſoning we may conclude, that the way to carry proportional taxes to their utmoſt extent, is to draw all commodities to market, to engage every one to carry thither the whole produce of his induſtry, and buy whatever he ſtands in need of.

But which way will you engage either a farmer to ſell his crop, and buy ſubſiſtence from another; or a ſhoemaker to ſell his own, and buy his neighbour's ſhoes? The thing is impracticable; and were it attempted, it would prove an arbitrary proceeding, and a cumulative tax laid upon their induſtry: a tax which, by the nature of it, they cannot draw back, as we ſhall preſently ſee, and from this circumſtance alone proceeds the whole oppreſſion of it.

Let me next analize the price paid by the laſt buyer, whom we have called the rich and idle conſumer of the manufacture, who can draw nothing back from any body.

Is it not compoſed of the whole value of the ſubſiſtence, of the work, of the profits, of the tax? The whole reimburſement of all former payments and repayments lands upon him. Thoſe who have been at all the expenſe, appear in the light of his ſervants and agents, who have only advanced money upon his account.

How abſurd, therefore, is it either to ſay, that

all taxes fall ultimately upon land; or as others, or no better reaſon, pretend, that they fall upon rade. I ſay, that this category of taxes which I have now been deſcribing, and which I ſhall ſtill more fully explain in a ſubſequent chapter, never can either fall upon, or affect any perſon but the idle; that is to ſay, the not induſtrious conſumer. If there be found a poſſibility for any conſumer to draw back the tax he has paid, I ſay he is of the claſs of the induſtrious, in one way or other: and I farther ſay, that ſuch a tax raiſes the price of the commodity. But by drawing back, I underſtand, that the repayment is an inſeparable conſequence of his having paid the tax. I do not, for example, ſay that a place-man draws back his taxes by the emoluments of his office: but I ſay a brewer draws back his exciſe by the ſale of his beer.

Let this principle alſo be retained, that with reſpect to the conſumption of ſuperfluities by the manufacturing claſſes, they muſt be conſidered as being of the claſs of the rich and idle, as much as the firſt Duke in England. When therefore the extravagance of the manufacturing claſſes becomes general, and when the rate of the market can afford them great wages, relatively to the price of neceſſaries, ſuch profits conſolidate into the price of the manufacture, according to the principles laid down in the 10th chapter of the ſecond book. The ſtateſman then muſt endeavour to create a competition, by introducing freſh and untainted hands into ſuch branches. This will be a ſure check upon the induſtrious, and, if rightly applied, will prevent

all frauds, all pretences for the riſe of the price of labor on account of taxes: and, if carried to the full extent, will prevent any induſtrious perſon from enjoying either a day's idleneſs, or the ſmalleſt ſuperfluity; except in conſequence of his peculiar dexterity, or extrinſic advantages.

CHAP. IV.

Of cumulative Taxes.

I SHALL not here repeat what I have already ſaid concerning the characteriſtics of this kind of impoſition; but after citing ſome examples, I ſhall examine it more cloſely, as to its nature and conſequences.

The moſt familiar examples of it to an Engliſhman, are tithes, land-tax, window-tax, and poors-rates.

The moſt familiar examples to a Frenchman, are the, *Taille*, *Fourage*, and *Uſtencil*, (which go commonly together) alſo the *Capitation*, the *Dixième*, the *Vingtième*, and the *Induſtrie**.

* The *Taille* is properly a land-tax, to which men called *noble* are not ſubjected. The reaſon of which is, that it was originally impoſed in lieu of ſuch perſonal military ſervices as were peculiar to the lower claſſes.

The *Fourage* and *Uſtencil* are laid upon all thoſe who pay the *taille*, and are in proportion to it. The firſt is appropriated for the ſubſiſtence of the cavalry, when they are in quarters; the laſt for kettles and ſmall utenſils for the infantry.

The *Capitation* is the poll-tax. The *Dixièmes* and *Vingtièmes*

The nature of all theſe taxes, is to affect the poſſeſſions, income and profits of every individual, without putting it in their power to draw them back in any way whatever; conſequently, ſuch taxes tend very little towards enhancing the price of commodities.

Thoſe who come under ſuch taxes, do not always conſider that their paſt induſtry, gains, or advantages of fortune, are here intended to ſuffer a diminution, in favor of the ſtate; for which out-going they have, perhaps, made no proviſion.

When people of the lower claſſes, inſtead of being ſubjected to proportional taxes, are laid under ſuch impoſitions, there reſults a great inconvenience. They are allowed to receive the whole profit of their induſtry, which in the former chapter we called their (B), the ſtate however reſerving to itſelf a claim for a part of it: this, inſtead of being paid gradually, as in a proportional tax, is collected at the end of the year, when they have made no proviſion for it, and conſequently, they are put to diſtreſs.

Beſides, how hard is it to deprive them of the power of drawing back what they pay? And how ill judged to truſt money with thoſe who are ſuppoſed only to gain an eaſy phyſical-neceſſary? An equivalent for procuring the articles of eaſe and luxury, ſhould not be left in the hands of thoſe who are not permitted to enjoy them.

have been already explained, and tithes are well known to every one.

The *Induſtrie* is that impoſition arbitrarily laid on by the Intendants of Provinces, upon all claſſes of induſtrious people, in proportion to their ſuppoſed profits in every branch of buſineſs.

From this we may conclude, 1. That the more ſuch taxes are proportional to the ſubject taxed, 2. the more evident that proportion appears; and 3. the more frequently and regularly they are levied, the more they will reſemble proportional taxes, and the leſs burden will be found in paying them. Let me illuſtrate this by ſome examples.

The ſtoppage upon a ſoldier's pay, either for the invalids, or Chelſea, is a cumulative tax; but the method of levying it gives it all the advantages of one of the proportional kind. *1ſt*, It bears an exact and determinate proportion to the value of his pay. *2dly*, This proportion he knows perfectly. And *3tio*, Inſtead of receiving the whole into his own poſſeſſion, and paying the hoſpital at the end of the year, it is regularly and gradually retained from him at every payment.

Tithes are a cumulative tax; but they are accompanied with all the three requiſites to make them light, although in other reſpects they are exceſſively burdenſome. *1ſt*, They bear an exact proportion to the crop. *2dly*, This proportion is perfectly known. *3dly*, Nature, and not the laborer, makes the proviſion. But they fall upon an improper object: they affect the whole produce of the land, and not the ſurplus; which laſt is the only fund that ought to be taxed.

The land-tax in Scotland bears, *1ſt*, a very determinate proportion to the valuation of the land; and has, *2dly*, the advantage of being well known to every contributor; ſo that proviſion may eaſily be made for it. But the third requiſite is wanting;

the proprietor having the public money in his hands, often applies it to private purpoſes; and when the demand is made upon him, he is put to diſtreſs.

The *taille*, in many provinces of France, bears, firſt, a very exact proportion to the value of the land *.

But in the ſecond place, the proportion is entirely unknown to the man who pays it; being nowhere to be ſeen but in the offices of the intendant and his deputies.

And in the laſt place, the whole payment comes at once.

What hides, and conſequently deſtroys this proportion, is, that after the diſtribution is laid on, as in Scotland, at ſo many ſhillings in the pound of valuation, the full ſum intended to be raiſed does not come in; either becauſe the intendant has given exemptions to certain pariſhes, on account of the accidents of ſterility, hail, mortality among the cattle, and the like; or becauſe the property of a part of the pariſh has fallen into the hands of people exempted from the *taille*; or that others, who were really bound to pay part of it, are become inſolvent. The intendant muſt then make a ſecond, and perhaps a third general diſtribution of the deficiency upon all the contributors, in the moſt exact proportion to the firſt, but yet by their nature impoſſible to be

* This ſort of *taille* is called *tariffée*; becauſe it is impoſed according to a valuation of the land. It is a late improvement; but ſtill is expoſed to numberleſs inconveniences, which are mentioned in the text.

foreſeen

foreſeen. It is for theſe reaſons chiefly that the *taille* in that kingdom is ſo grievous.

Theſe ſecond diſtributions of the tax, *1ſt*, deſtroy the proportion between the tax and the revenue taxed. *2dly*, They make it impoſſible to judge of the amount of them. And laſtly, the demand comes at once, when, perhaps, the money has been otherwiſe applied.

The French tax upon induſtry is more grievous ſtill; becauſe none of the three requiſites abovementioned are allowed to operate.

This tax is ſuppoſed to be proportional to the profits made upon trade, and other branches of induſtry, not having the land for their object. All merchants and tradeſmen, in cities, and in the country, pay the tax called *Induſtrie;* and the reaſon given for eſtabliſhing this tax, as I have ſaid in another place, is in order to make every individual in the ſtate contribute to the expenſe of it, in proportion to the advantages he reaps. Nothing would be more juſt, could it be put in execution, without doing more hurt to the ſtate, than the revenue drawn from it can do good.

I ſhall now ſhow how, in this tax, all the three requiſites we have mentioned are wanting.

1mo, By its nature, it can bear no exact proportion to the profits of the induſtrious man; ſince nobody but the perſon taxed can ſo much as gueſs at their extent

2do, It cannot poſſibly be provided for, as no check can be put upon the impoſer, unleſs ſo far as general rules are laid down for each claſs of the

induſtrious; and from theſe again other inconveniences flow, as ſhall be obſerved.

3tio, It comes at once upon poor people, who have been frequently forced to beg for want of employment before the tax-gatherer could make his demand; and thoſe who remain, frequently become beggars before they can comply with it.

I ſay, that from the general rules laid down for regulating this tax, as to every claſs, a workman who has a large family to maintain, is no leſs taxed than one who has no charge but himſelf: and it will be allowed, I believe, that the profits of one induſtrious perſon of the lower claſſes, is in no country ſufficient to pay any conſiderable tax, and maintain a large family, much leſs a ſickly one. I therefore imagine, that cumulative taxes never ſhould be raiſed upon ſuch claſſes of inhabitants as have no income but their perſonal induſtry, which is ſo frequently precarious.

Merchants alſo ought not to be ſubjected to any tax upon their induſtry. They ought to be allowed to accumulate riches as faſt as they can: becauſe they employ them for the advancement of induſtry; and every deduction from their profits is a diminution upon that ſo uſeful fund.

When cumulative taxes are laid upon any of the induſtrious claſſes, they tend to check growing wealth; and are moſt familiarly impoſed in monarchical ſtates, where riches are apt to excite jealouſy, as has been obſerved.

But as to the claſs of land proprietors, that is to ſay, the more wealthy inhabitants, who live

upon a revenue already made, the impropriety of cumulative taxes is much leſs. They are however burdenſome, and diſagreeable in all caſes, and ought to be diſpenſed with, when the neceſſary ſupplies can be made out by proportional taxes, without raiſing the prices of labor too high for the proſperity of foreign trade.

From the examples I have given of this branch of taxation, I hope the nature of it may be fully underſtood, and that for the future no inconvenience will ariſe from my employing the term of *cumulative tax*. I ſhall now ſubjoin its definition.

A *cumulative tax*, is *the accumulation of that return which every individual, who enjoys any ſuperfluity, owes daily to the ſtate, for the advantages he receives by living in the ſociety*. As this definition would not have been underſtood at ſetting out, I thought it proper, firſt, to explain the nature of the thing to be defined.

CHAP. V.

Of the Inconveniences which proceed from proportional Taxes, and of the Methods of removing them.

A PROPORTIONAL tax, as I have ſaid, is that which is levied upon the idle conſumer, at the time he buys the commodity; and while, by conſuming it, the balance of wealth is turning againſt him, in favor of the ſeller. This tax is conſolidated as

it were with the price of the commodity, and muſt of neceſſity raiſe it.

I ſay, it is levied at the time of buying, and affects the buyer, in conſequence of his conſumption; becauſe we have ſeen, that when the commodity is not conſumed by the purchaſer, then upon a ſubſequent alienation he is refunded all he paid. I conſider him therefore, in that caſe, not as *paying*, but as *advancing* it for another; and while any part of the commodity remains unconſumed, there ſtill remains the equivalent of a proportional part of the tax in the hands of him who advanced it.

I ſhall now proceed, as in the former chapter, by giving ſome examples of ſuch impoſitions; and in examining them, endeavour to ſhow their nature and conſequences.

The moſt familiar to an Engliſhman are, *exciſes*, *cuſtoms*, *malt-tax*, *ſtamp-duties*, and the like.

To a Frenchman the *gabelle*, the *traites*, the *aides*, *tobacco*, &c.*

* The *gabelle* is a branch of the general farms, and conſiſts of an exciſe upon ſalt. The manufacture of the commodity is in the hands of the farmers; and they, for a liberty to ſell ſalt at a certain price, far above the expenſe of the manufacture, pay to the King an annual revenue of 28 millions of livres.

This I call a proportional tax, relatively to conſumers; although in reality no tax-gatherers are employed for the collection of it, contrary to what is the caſe of all exciſes; which are never farmed by government to the manufacturers of the commodity taxed.

The *traites*, or, as they are otherwiſe called, the five great farms, were eſtabliſhed by Colbert, when he took away a

In all kinds of this impoſition we find the tax regularly reimburſed from hand to hand; it adheres ſo cloſely to the commodity, that it becomes as eſſentially a part of the value, as carriage, packing, and the like incident charges, enter into the prices of goods. It never can affect the induſtrious perſon who does not conſume; and never can be avoided by him who does. Such taxes therefore neceſſarily raiſe the price of the commodity taxed.

Having already pointed out the principal advantages of proportional taxes, which is to throw the whole of the burden upon the rich, whom we have called the idle conſumers, the better to diſtinguiſh them from the opulent claſs of the induſtrious; I muſt now enumerate the principal inconveniences

multitude of cuſtoms paid upon the tranſportation of goods from one province to another. They anſwer very much to our cuſtoms, or to the duties of tunnage and poundage, and are let to the farmers general for the ſum of 12 millions.

The *tobacco* is of the ſame nature with the ſalt tax. The farmers general have the excluſive privilege of ſelling it at a price fixed by the King.

For the farm of the tobacco is paid 15 millions.

The *aides* reſemble our exciſes more than thoſe we have mentioned. They conſiſt in duties upon liquors, either brought into towns, or ſold by retail in public houſes; and upon all articles of food ſold in corporations, except grain of every kind, which is free. They comprehend alſo a multitude of other duties ſuperfluous to enumerate. They are collected by tax-gatherers at the gates of every town, who alſo have acceſs to all public houſes, where retail is laid under additional rates. The *aides* are farmed at 38 600 000 livres. Theſe were the rates in the farms let in 1755. They have been ſince augmented in 1762, as has been obſerved.

complained of, from this mode of taxation, and trace out the principles from which they may be aſcertained and removed.

The principal inconveniences alledged againſt proportional taxes may be reduced to three:

1*mo*, That they have the effect of raiſing the price of labor, and the produce of induſtry, and thereby prove hurtful to the proſperity of foreign trade.

2*do*, That they diſcourage conſumption, by carrying the prices of many things too high for people of a middling rank in life.

3*tio*, That they are both expenſive in the collection, and oppreſſive, from the many reſtrictions put upon liberty, in order to prevent frauds.

In analyzing every one of theſe inconveniences, it will be proper to inquire, how far the concluſions againſt thoſe taxes are drawn from matter of fact; how far from plauſible appearances only; and ſo far as they are real, not imaginary, to diſcover the methods of removing them.

As the firſt inconvenience lies in raiſing the price of all kinds of labor, and conſequently of manufactures, I muſt diſtinguiſh between the conſequence of raiſing prices at home, and of raiſing them upon articles of exportation; and I muſt conſider the one and the other relatively to the collective body of a ſtate, and not to ſome few individuals in it.

High prices at home are no diſcouragement to the induſtrious, moſt certainly, however diſagreeable they may prove to conſumers; and while they ſtand high, it is a proof that the demand of the conſumers does not diminiſh.

High prices upon goods to be exported, are to be judged of by the proportion they bear to thoſe in other countries.

Now the price of a manufacturer's wages is not regulated by the price of his ſubſiſtence, but by the price at which his manufacture ſells in the market. Could a weaver, for example, live upon the air, he would ſtill ſell his day's work according to the value of the manufacture produced by it, when brought to market. As long as he can prevent the effects of the competition of his neighbours, he will carry the price of his work as high as is conſiſtent with the profits of the merchant, who buys it from him in order to bring it to market; and this he will continue to do, until the rate of the market is brought down.

It is therefore the rate of the market for labor and manufactures, and not the price of ſubſiſtence, which determines the ſtandard of wages. Were proportional taxes to raiſe the price of ſubſiſtence, and by that circumſtance to diſcourage manufactures, we ſhould ſee the generality of workmen living with ſobriety, depriving themſelves of ſuperfluity, confining themſelves to the plain but ſufficient phyſical-neceſſary, working with all the aſſiduity that a man can ſupport, and ſtill not able to ſupply the market at the ordinary rates.

When in any country the work of manufacrers, who live luxurioufly, and who can afford to be idle ſome days of the week, and live upon their wages, finds a ready market, this circumſtance alone proves beyond all diſpute, that ſubſiſtence

in that country is not too dear, at leaſt in proportion to the market prices at home; and if taxes on conſumption have, in fact, raiſed the price of neceſſaries, beyond the former ſtandard, this riſe cannot, in fact, diſcourage induſtry; it may diſcourage idleneſs; and idleneſs will not be totally rooted out, until people be forced, in one way or other, to give up both ſuperfluity and days of recreation.

People are very apt to draw concluſions from what they think ought to be, according to the particular combinations they form to themſelves; and for this reaſon it is generally thought, becauſe taxes are higher in England than in ſome other countries, that foreign trade ſhould therefore be hurt by them. But the ſloth and idleneſs of man, and the want of ambition in the lower claſſes to improve their circumſtances, tends more, I ſuſpect, to circumſcribe the productions of induſtry, and thus to raiſe their price, than any tax upon ſubſiſtence which has been hitherto impoſed in that kingdom.

The whole of this doctrine is proved by experience, and is confirmed by our natural feelings. Many have been amazed to ſee how well the manufacturing claſſes live in years of ſcarcity, which frequently have the effect of doubling the price of the moſt neceſſary articles of ſubſiſtence. Are they not found, in bad years, more aſſiduous in their labor? Do they then frequent ale-houſes, as in the years of plenty? Are they found idle one half of the week? Why ſhould a tax laid on by the hand of nature prove ſuch a ſpur to in-

duſtry; and another, ſimilar to it in its effect, laid on by the hand of man, produce ſuch hurtful conſequences? Were a tract of bad years, I dare not ſay an increaſe of taxes, to continue long enough to bring manufacturers to a habit of ſobriety, and application, a return of plenty, and low prices, would throw into their coffers, what many of them diſſipate in riot and prodigality.

Even this concluſion will be too general, if every combination be taken in. Manufacturers there are, who work hard, and live ſobetly ſix days of the week, and who at the end find little ſuperfluity, notwithſtanding the high price of labor. Alas! they have many mouths to feed, and only two hands to ſupply the neceſſaries. This is the fatal competition ſo much inſiſted on in the firſt book, and by which a door is opened to great diſtreſs. Either the unmarried gain what the married ſhould, and become extravagant, or the married gain no more than the unmarried can do, and become miſerable.

The average between the two ought to determine the rate of wages in every modern ſociety.

The remedies for this unequal competition, flowing from the happy liberty we enjoy, have been conſidered in another place.

The inconvenience here under examination will not be removed by an abolition of taxes; nor will it increaſe by the augmentation of them, as long as manufacturers, upon an average, enjoy ſuperfluity and idle days.

Under theſe circumſtances I conclude, that if foreign trade ſuffers by the high prices of commodities

in our markets, the vice does not proceed from our taxes, but from our domeſtic luxury, which ſwells demand at home. Were we leſs luxurious, and more frugal in our management in general, all claſſes of the induſtrious, from the retailer down to the loweſt manufacturer, would be ſatisfied with more moderate profits. Let not, therefore, a ſtateſman regulate his conduct upon ſuppoſitions, nor conclude any thing from theory, nor from arguments *à priori*, drawn from the ſuppoſed effects of taxes; but let him have recourſe to information and experience concerning the real ſtate of the matter.

Let him inquire what are the prices abroad; what are the prices at home; how thoſe who work in exportable commodities live; what ſuperfluities they enjoy; and what days of idleneſs they indulge in.

If he finds that goods are not exported, becauſe of high prices, while manufacturers are enjoying ſuperfluity, and indulging themſelves in idleneſs, let him multiply hands, and he will reduce them all to their phyſical-neceſſary; and by thus augmenting the ſupply, he will alſo reduce the prices in his markets at home.

If he wants to reduce prices ſtill lower, in favor of exportation, but finds that he has occaſion for the amount of certain taxes, which enhance the value of his phyſical-neceſſary, to which he has reduced his induſtrious claſſes, then let him grant a bounty upon the quantity exported, more than equivalent to all the taxes paid by thoſe who provide it; and let the people at home continue to pay dearer than ſtrangers, in favor of the ſtate. If you only want

to promote exportation by lowering prices, there will be no occaſion to lower them univerſally, any more than there is occaſion to put a large plaiſter over the whole body, to cure a ſmall pimple on a particular part of it.

I have ſaid, that while the rate of the market remains the ſame, ſo will the prices of every part of labor and induſtry, which enters into the compoſition of the thing brought to market. This is conſiſtent with reaſon, and experience proves the truth of it; becauſe we do not ſee wages fluctuate with the price of living. If they do not fluctuate in that proportion, how can we conclude that a riſe in the price of ſubſiſtence, occaſioned by taxes, ſhould raiſe wages more than when the price is raiſed by a natural ſcarcity. It may be anſwered, that the impoſition of a tax gives a general alarm; the effect it muſt have upon prices is immediately felt; and manufacturers then inſiſt upon an augmentation: whereas, when nature either produces the ſame, or even a greater effect, people ſubmit to what they think comes from the hand of God, and content themſelves with the hopes of better times. I ſhall allow this argument all its force. But I muſt obſerve, that when manufacturers can thus capitulate with their employers, and inſiſt upon an augmentation of their wages, the demand of the market muſt be greater than the ſupply from their work. This is the circumſtance which raiſes the price of labor. Let the demand of the market fall, the prices of labor will fall, in ſpite of all the reaſons which ought naturally to make them riſe. The workman will

then enter into a hurtful competition, and ſtarve one another, as has been often obſerved. Let the demand of the market riſe, manufacturers may raiſe their wages in proportion to the riſe of the market; they may, in the cheapeſt years, enjoy the higheſt wages; drink one half of the week, and laugh at their employer, when he expects they ſhould work for leſs, in order to ſwell his profits in the riſing market.

I have endeavoured to throw this queſtion into different ſhapes, the better to apply different principles to it; and upon the whole, I muſt determine that proportional taxes will,

1*mo*, Undoubtedly raiſe the price of every commodity upon which they are properly and immediately impoſed; and if they be laid upon bread, and other articles of nouriſhment, they will directly raiſe the price of theſe articles in proportion; but the price of labor will be raiſed conſequentially only, and according to circumſtances.

That if taxes be laid upon the day's labor of a man, they will raiſe the price of that day's labor. What I mean by this, is, that if every one who employs a man for a day, were obliged to pay a penny to the ſtate, for a permiſſion to employ him, the employer would charge a penny more at leaſt upon the day's work performed by the laborer. Were a tax equivalent to it laid on the laborer by the year, it would be of a cumulative and arbitrary nature, and would not raiſe the price of his wages in proportion; but were it laid upon the workman at a penny a day, and levied daily, in

this caſe, he might raiſe his wages in proportion. But this is not the practice any where.

2*do*, The price of ſubſiſtence, whether it be influenced or not by the impoſition of taxes, does not determine the price of labor. This is regulated by the demand for the work, and the competition among the workmen to be employed in producing it.

3*tio*, If wages riſe beyond the phyſical-neceſſary of the workman, they may be brought down by multiplying hands, but never by lowering the price of neceſſaries; becauſe every man will make a profit of the low price, but will regulate his gain by the rate of demand for his labor.

4*to*, If therefore, the price of his phyſical-neceſſary be raiſed upon him by the effect of taxes, he muſt work the harder to make it up.

5*to*, If hands increaſe, after he is reduced to his phyſical-neceſſary, the whole claſs of the manufacturers will be forced to ſtarve.

6*to*, The increaſe of hands means no more than the augmentation of the quantity of work produced. If, therefore, the ſame hands work more than formerly, it is the ſame thing as if their numbers were increaſed.

From theſe poſitions it ſeems to reſult, that whenever it is found that manufacturers enjoy wages more than in proportion to their phyſical-neceſſary through the year, reckoned upon the general average of married men and bachelors, the method of reducing them to the proper ſtandard, is either to multiply hands, if you want to reduce prices

in your own market, or to augment the price of their phyſical-neceſſary, if you incline they ſhould remain the ſame. When the hands employed are really diligent, and prices ſtill too high, then it may be expedient to increaſe their numbers, providing they enjoy conſiderable profits. This will cut them off, and reduce the price of commodities; becauſe it will augment the ſupply.

When the hands employed are not diligent, the firſt expedient is to raiſe the price of their ſubſiſtence, by taxing it. By this you never will raiſe their wages, until the market can afford to give a better price for their work. If, when they are brought to be fully employed, you incline to ſink the price of labor univerſally, you muſt take off ſome of the impoſitions which affect ſubſiſtence, and at the ſame time gradually throw in freſh hands, in order to promote competition, which alone will force them to lower their prices in proportion. The whole delicacy of this operation is to prevent competition from taking place after the induſtrious are reduced to moderate profits; and to promote competition, or to raiſe the price of their ſubſiſtence, until they be brought to the proper ſtandard. Having inſiſted ſo fully upon theſe principles in the xviiith chapter of the ſecond book, I here refer to it.

I have ſaid, that the price of work is not regulated by the price of ſubſiſtence, but by the price of the market for the work. Now I ſay, that the price of the market may in a great meaſure be influenced by the price of ſubſiſtence. This is a new combination.

The firſt propoſition is undeniable. The price of the market at all times *regulates* the price of work; becauſe it regularly makes it fluctuate, in proportion to its own fluctuations. The price again, of ſubſiſtence only *influences* it; becauſe two circumſtances may deſtroy that influence. A high demand for work will raiſe the price of wages in years of plenty: a low demand will ſink the price of wages in years of ſcarcity. When therefore it is ſaid, that the price of ſubſiſtence *influences* the rate of markets, we only mean, that the average price of ſubſiſtence, when good and bad years are taken together, have a certain influence in regulating prices. But this average price of ſubſiſtence cannot every where *regulate* the value of work, as the average price of a ſhip's cargo can regulate the price of every part of it; becauſe the variations there are at too great a diſtance of time, to be able to compenſate one another with reſpect to all the manufacturing claſſes of a people.

Could a plan be concerted, either to preſerve the price of grain at one uniform ſtandard, or within the limits of 15 or perhaps 20 *per cent.* at all times; and were this to be executed by the aſſiſtance of a tax at one time, and a bounty as it were at another; it would certainly have an admirable effect in every induſtrious nation. It would in a manner take away the difference between good and bad years. The induſtrious finding themſelves ſubſiſted at all times nearly at the ſame expenſe would not feel thoſe alternate motives to be idle and extravagant at one time, and diligent and ſober at another.

I have enlarged ſo much upon the nature of this firſt inconvenience proceeding from proportional taxes, that I have left myſelf very little to ſay as to the ſecond, which is,

2*do*, That they diſcourage conſumption, by raiſing prices too high for people of a middling rank in life.

In anſwer to this, I muſt obſerve, that all the amount of proportional taxes is refunded to the induſtrious conſumer, ſo far as they are raiſed on articles *neceſſary* for his ſubſiſtence; and when he is either idle, or conſumes a ſuperfluity, he is claſſed along with the idle and rich. Now if the rate of market prices be high, relatively to the income of certain individuals, it can only be becauſe the ſupply of the things they want to conſume is not above the proportion of the demand of thoſe who are richer.

If, therefore, the rate of the market affords ſuch profits to manufacturers as to render them idle and luxurious, how can the augmentation of theſe profits, by the abolition of taxes, and conſequent diminution of the price of ſubſiſtence, ever diminiſh the competition of the rich, unleſs the ſupply be augmented?

But if the high prices of our own markets cut off the demand of ſtrangers, then every principle laid down in the 10th and 18th chapters of the ſecond book, muſt be applied to bring them down: and ſo far as taxes, which are impoſed either to ſupply the exigencies of the ſtate, or to cut off conſolidated profits, enjoyed by manufactures in conſequence of

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our own extravagance, have contributed either to raiſe them, or to ſupport them when raiſed, above the foreign ſtandard, a full equivalent, in the way of bounty, muſt be given for them, in order to bring the exportation price of goods below the level of foreign competition.

I come now to the laſt inconvenience alledged againſt proportional taxes, to wit, the expenſe of collecting them, and the oppreſſion which is a conſequence of the many reſtrictions laid upon liberty, in order to prevent frauds.

As to the expenſe of collection, it is entirely in proportion to the diſpoſition of the people to defraud the public.

In France, the collecting the branches of cumulative taxes, ſuch as the general receipts, comprehending the taille, poll-tax, &c. coſts the ſtate no leſs than 10 *per cent.* or two ſols in the livre, which is ſuperadded to thoſe impoſitions, in order to defray that expenſe. Whereas in England the expenſe of collecting the exciſe, adminiſtered by commiſſioners, who act for the public, not by farmers who act for themſelves, does not coſt above 5 *l.* 12 *s.* 6 *d.* in the 100 *l.*

This matter of fact is ſufficient to prove, that exciſes, when under a proper adminiſtration, are not ſo very expenſive in the collection as is generally imagined; and they would ſtill be attended with leſs expenſe, were ſome proper alterations made in the preſent method of impoſing them. This will appear as we go along.

The *oppreſſion* of levying exciſes does not, in any proportion, ſo much affect thoſe who really *pay* them, as thoſe who only advance them for the conſumers.

This diſtinction which we have already made, will appear well founded, upon examining the complaints which are commonly made againſt the collectors of this duty.

We have ſeen that in the taxes upon ſalt and tobacco in France, there are no duties collected upon the people; the farmers of the ſalt have all the ſalt marſhes and ſalt pits aſſigned to them by the King; no perſon, not privileged, is allowed to make ſalt for the conſumption of thoſe provinces which are ſubjected to the Gabelle.

In like manner the diſtribution and ſale of tobacco is excluſively in the hands of the farmers: they buy it either from Great Britain, or from the Dutch at ſecond hand; they manufacture it themſelves, and ſell it over all France, at the price ſet upon it by the King; and we ſaw, that during the laſt war, they paid thirty millions down for a permiſſion to raiſe the price of it 10 *per cent.* during ten years. This price fixed upon the ſale of tobacco, anſwers exactly to what we known under the name of aſſize, which ought conſtantly to attend all exciſes*: for want of obſerving exactly that regulation, the

* When exciſes are impoſed upon any commodity, it is contrary to all principles in fixing the aſſize, not to ſuperadd the whole duty impoſed to the former ſelling price. This however is ſometimes omitted, with an intention to make part of the duty fall upon the manufacturer, to the eaſe of the ſubject. The conſequences are,

publicans and victuallers in England raiſed the price of their ſtrong beer one halfpenny *per* quart, in conſequence of an additional duty of three ſhillings *per* barrel impoſed *anno* 1761, which is at the rate only of one farthing *per* quart †.

When the ſale of an exciſeable commodity is veſted in a company who manufacture it, by excluſive privilege, the whole oppreſſion of collection is avoided; becauſe the company itſelf then pays the duty, andthey draw their reimburſement from proportional profits on the ſale of the goods.

1mo, The manufacturers blow up the ſpirit of the people againſt the tax, who never would think of making an outcry, were they not excited to it by the intereſted motives of the manufacturers. Were high profits allowed on impoſing the tax, manufacturers would be quiet: and if the profits were afterwards found to be too high, it would then be a popular meaſure to reduce the ſelling price, and alſo a means of ſetting people on the ſide of government, againſt the manufacturers, who are their real tax gatherers.

2do, It is impoſſible to compaſs the end propoſed. A proportional tax, rightly impoſed, muſt be drawn back; and all attempts to prevent it only occaſion a multiplication of frauds, and a bad manufacture.

In fixing aſſizes upon the manufacture or goods, which in different years vary in their price, regard ſhould be had to ſuch variations; otherwiſe the manufacturer is diſtreſſed, and the public is ill ſerved: and the one or the other happening, the people are animated againſt ſuch duties.

The only expedient to ſhare the profits of the manufacturers of exciſeable commodities, is to lay them under ſome cumulative tax which they cannot draw back, ſuch as making them pay for a licence.

† It muſt, however, be obſerved, that the price of beer was not raiſed, either by the brewers, or by the victuallers, on account of the additional malt-duty, *anno* 1760.

This is the greateſt advantage of the farm above the public management of a tax.

When exciſes are levied upon thoſe who manufacture the commodity exciſed, the oppreſſion of the laws falls upon the manufacturers, although they only advance the tax, and draw it back from the conſumers upon the ſale of the commodity.

It is greatly for the advantage of every conſumer in the kingdom, that no fraud in the collections ſhould paſs unobſerved; becauſe all the profits ariſing from frauds belong to the manufacturer, who in reality is the tax-gatherer, as much as the farmers in France, when they ſell their ſalt and tobacco. But as the farmers appear in the light of King's officers, and that the collectors ſeem to bear hard on thoſe with whom they live, people fooliſhly imagine, that were brewers, for example, more gently dealt with, beer would come the cheaper to themſelves. This is a mere deluſion; becauſe no brewer whatever will ſell his beer cheaper than either an aſſize, or the ordinary rate obliges him to do, let his profit, from frauds, be ever ſo great, and his addreſs in committing them ever ſo ſucceſsful; and the leſs productive the tax turns out to be, the more the other impoſitions upon the people muſt be augmented, in order to make up the deficiency.

If we compare therefore the oppreſſion of exciſe-laws felt by thoſe who only *advance* theſe impoſitions, with the eaſe which the conſumers find who really *pay* them, we may judge of the advantages which the proportional taxes have over the cumulative.

The exciſe, as paid by the brewer, is really of

the cumulative kind. The exciſeman demands money of him, at a time when no alienation takes place, and perhaps when he is not prepared to make the advance for his cuſtomers, who muſt refund it to him with profit: beſides the hope of being able to defraud is diſappointed, and it is always diſagreeable to be diſappointed in what we either wiſh or hope.

Were all mankind honeſt, the inconveniences of levying ſuch taxes would be leſs; but as that is not the caſe, methods muſt be fallen upon to diſappoint the intention of committing fraud. The only way to accompliſh this, is, to render it difficult and dangerous. While every individual has a liberty to manufacture an exciſeable commodity in whatever place he thinks fit to enter for that purpoſe, when every one has a liberty to ſell liquors, which, upon retail only, are ſubjected to exciſe (as is the caſe in France) muſt not collectors be multiplied in proportion to the occupation which ſuch policy implies? And will not theſe collectors oppoſe frauds to frauds, in order to profit by them, at the expenſe of the merchant or manufacturer? This will ſow diſcord and hatred between two claſſes of the ſame ſociety, and thereby the ſtate is hurt. All diſcord hurts a ſtate, as it does a private family.

It is out of my way to lay down plans for preventing ſuch inconveniencies. It would require an intimate knowledge of every circumſtance relating to the country for which the remedy is intended.

I ſhall therefore endeavour only to throw out ſome uſeful hints, by mentioning the impoſitions where the inconveniences in levying are the leaſt; and by

comparing theſe with other impoſitions, where the oppreſſion in levying appears to be greater, the contraſt of circumſtances will ſuggeſt the principles upon which a plan might be formed.

There are many more frauds and difficulties in collecting exciſes in the country than in cities, from the number of manufacturers employed in them. It is juſt ſo with the *aides* in France, from the number of retailers. There are very few frauds and little difficulty in gathering the malt-tax, becauſe the object is unwieldy, and the places of manufacture are fewer.

The frauds upon tobacco and ſalt in France, do not proceed from thoſe who manufacture them, but from thoſe who introduce foreign goods to ſupply the place of thoſe manufactured by the company. This ſhows that exciſes ſhould be made as general as poſſible over a country; becauſe local exemptions introduce, as it were, a foreign country into the centre of a ſtate.

Stamp-duties are ſeldom defrauded by forging the ſtamp; but in France, where they extend to almoſt every *deed* of alienation, the public is defrauded by private bargains.

Cuſtoms are defrauded by the liberty given to trade in every port; and from the want of convenient public magazines, as a proper repoſitory for all goods brought by ſea.

It may be ſaid, in general, that frauds are moſt frequent upon the new eſtabliſhment of taxes; that thoſe who complain moſt of the oppreſſion of them, are preciſely thoſe who have the leaſt reaſon for it; and that the cauſe of their complaint proceeds rather from the inconvenience in paying when they are not prepared, and the diſappointment in

defrauding, than from any real oppreſſion ariſing from the laws of exciſe: the hardſhips of theſe laws are owing to the neceſſity of general rules to prevent frauds; and ſuch rules would be unneceſſary, could the liberty of committing frauds be circumſcribed.

One very good method of raiſing proportional taxes, without great expenſe or oppreſſion, when the ſituation of a country will admit of it, is to levy no ſuch duties, but at the gates of towns and villages, which in this light appear to be political incloſures. At thoſe gates every produce of the lands, and every manufacture not made in the town, might pay a tax upon coming in; every manufacture made in the town, might pay a tax on going out: all fruits conſumed in the country might be free; all manufactures made and conſumed in the towns might be free alſo. If we conſider the quantity of exchange between the inhabitants of towns and thoſe of the country, and between town and town; that fund, I believe, would be found ſufficient to raiſe more by proportional taxes than what is raiſed in any country in Europe.

A ſecond method of diminiſhing the expenſe, and alſo the burden of proportional taxes, is to exact nothing of the manufacturers, but to prohibit the delivery of the manufacture to any one who does not preſent a permit from the exciſe office, ſignifying that the tax has been paid. This is the method obſerved in the Auſtrian low countries, where exciſes are carried to a very great height. There the tranſporters or carriers of exciſeable goods, are formed into a corporation, and none elſe dare to tranſport them.

Whoever has ſeen the execution of thoſe regulations will not be very fond of them; but the inconveniences which occur proceed from the political ſituation of all thoſe towns, the public debts of which are ſo enormous, that to pay the intereſt of them exciſes have been carried ſo high as to baniſh manufacturers into the country, where few exciſes are levied. It is from the country and many conſiderable villages, which have not the privilege of running in debt, that the manufactures of that country are carried on. No induſtrious man can afford to live in the towns of the Auſtrian Netherlands, except he who ſupplies their conſumption; and in no place, I know of, is work ſo dear as there.

Were great exciſes levied upon the furniſhers of the goods, as is the caſe in Great Britain, and were as little reſtraint laid upon their frauds, thoſe duties would not produce what they do; and the oppreſſion would be intolerable; whereas by the policy eſtabliſhed, nothing but the high price of goods is complained of. A third method of avoiding both expenſe and oppreſſion in levying proportional taxes, would be to confine the fabrication of all articles charged with them to certain places properly incloſed. Were thoſe undertakings few and large, were ſpacious magazines of all ſorts prepared, at the public expenſe, in all ſea-port towns, and ſurrounded with walls, an entire liberty might be allowed within the incloſures, and no queſtions would be aſked, but on going in and coming out. Under ſuch regulations a ſtate would reap great benefit. *1ſt*, There would be conſiderable ſavings in collecting. *2dly*, There

would be great ſavings on the number of hands employed in the manufacturing: forty men, in a large brew-houſe, make more beer than a hundred diſpoſed as they are in country villages. This reſembles the introduction of machines into manufactures.

The objection from the infringement of liberty is more a pretext, in order to facilitate fraud, than any thing elſe. Are not thoſe who manufacture exciſeable commodities, the ſervants of the ſtate? Are they not even the collectors of the public revenue? With what face then can they pretend to be indulged in the means of defrauding their cuſtomers of thoſe taxes which they wiſh to put into their own pockets, by withholding them from the public. Has liberty any other meaning, but an entire permiſſion to do whatever is not forbid by general and wholeſome laws, calculated for the univerſal good of the ſociety; and ſhall this claſs of men, who are enriching themſelves as much by the profits they have in advancing the taxes, as by their induſtry, be conſidered in as favorable a light as another who is paying a cumulative tax out of his income, one farthing of which he never can draw back?

If any ſhould miſinterpret the doctrine of this chapter, I muſt put them in mind of my original plan, which was to keep conſtantly in view thoſe virtuous ſtateſmen who think of nothing but the good of their ſubjects. Taxes and impoſitions in their hands, are the wealth of the father of the family; who there-with feeds, clothes, provides for, and defends every one within his houſe. The increaſe of taxes on this ſuppoſition is national economy, as ſhall be

afterwards ſhown; frauds are the theſts of ſervants impairing the public good, and particularly the means of ſelf-defence againſt the incroachments of ambitious neighbours.

As it is the duty of every ſtateſman to make his people happy and flouriſhing, perhaps the ſpeculations of one whoſe only intereſt in throwing them upon paper is to fill up his leiſure agreeably, may ſome time or other tend to promote ſo glorious a purpoſe.

CHAP. VI.

Cumulative and proportional Taxes compared with one another, and farther examined.

AFTER examining ſeparately the nature and effects of cumulative and proportional taxes, it remains, for the more fully underſtanding this ſubject, to take a view of them together; the better to find out wherein they really differ, and how far the difference is only apparent.

It has been obſerved, that the payment of taxes diminiſhes no part of the produce of either land, or induſtry; the whole amount of theſe remains entire to the ſubjects of the ſtate.

The taxes are paid out of the money which circulates in the alienation of them: from which we have concluded that they muſt conſtantly be confined within a certain proportion to alienation. We have alſo obſerved, that the impoſition of

taxes augments the mafs of circulation, and makes it requifite for a ftatefman to contrive fome method of increafing money in proportion to their increafe. I hope thefe propofitions have acquired an additional confirmation, from what has been already faid in the preceding chapters.

We have alfo feen how the amount of proportional taxes is ultimately taken from the fuperfluity of the rich, whom we have called the idle confumers: and how they are advanced by one fet of the induftrious, and refunded by another, until at laft they fall upon thofe who cannot draw them back from any body. Thefe laft have been faid to *pay* the taxes, the others only to *advance* them.

If therefore we fuppofe all defire of defrauding out of the way, we fhall find the whole burden of proportional taxes confined to the inconvenience of advancing their amount by the induftrious, and to the payment of them by the rich, which proportionally diminifhes their income. Where credit therefore is well eftablifhed, where payments are regularly made by buyers to fellers, and where people proportion their expenfe to their free income, the weight of proportional taxes will be very fmall. I appeal to experience for the truth of this.

Let us next examine the nature of cumulative taxes, as we have called them, in order to diftinguifh them from the others.

In thefe, alienation is not neceffary at the time they are paid; from which it follows, that, in many cafes, they cannot be drawn back. When a man pays his land-tax out of his rent, what remains to

him will not buy more of any thing than if he had paid nothing. Nay, were the ſtate to indulge him and take his tax in corn, the corn which remains to him would not bear an advanced price, unleſs the ſtate ſhould export the quantity he had given; and then indeed, by diminiſhing the ſupply, it might raiſe the price of grain in general; but every one having grain to ſell would profit of the riſe upon the price, as well as the landlord, whoſe ſhare does not commonly amount to one third of the crop.

But were a tax laid on in ſo regular a proportion to the value of any property, as to prevent the proprietor from making uſe of that part which the public intends to take from him, thoſe who pay cumulative taxes would thereby acquire one very great alleviation of their burden.

I have ſaid that when a brewer pays the exciſe, the tax, as to him, is of the cumulative nature. It is ſo in a certain degree, no doubt, as may be ſeen without farther explanation; but it ſtill ſo far retains its own nature as to be eaſily drawn back from the conſumer. But how can a ſoldier draw back the tax he pays to Chelſea?

From this material diſtinction between the two impoſitions, I conclude, that no objection can lie againſt proportional taxes, ſo far as they affect the induſtrious; becauſe they draw them completely back: and that great objections lie againſt cumulative taxes, when they affect the induſtrious, becauſe they cannot draw them back; and conſequently, they may affect the phyſical-neceſſary of the contributor, in caſe no profit ſhould remain to

him upon his labor. On the other hand, I think little objection can be made to cumulative taxes, when they are impoſed upon poſſeſſions, which produce a viſible annual revenue, clear to the proprietor. This is the nature of the *dixièmes* and *vingtièmes* in France; where the whole amount of the perſon's income is taken upon proper proof, and taxed in proportion to it, without any ſubſidiary or ſecond levy's taking place, to make up a determinate ſum.

Cumulative taxes would alſo be far leſs burdenſome to the lower claſs, could they be levied, ſo as, firſt, to preſerve the proportion of them to the actual profits on induſtry: ſecondly, to make that proportion ſenſible to the people: and in the laſt place, to *retain* the tax, inſtead of allowing them firſt to receive it, and afterwards obliging them to refund it.

In proportion as theſe three requiſites do not take place, ſuch taxes become grievous to all who have no fixed income.

To put a tax upon a man's dwelling houſe, in proportion to its windows, or hearths, when the houſe produces no fixed income to him, and when he has none independent of it, may take away a part of his phyſical-neceſſary. To put a tax upon him becauſe he has a head, is more grievous than to put a tax upon his hands, in proportion to what they daily gain.

If cumulative and proportional taxes be compared, with reſpect to the different effects they are found to have upon our opinions as to taxes in

general, we find that both of them deceive the contributors, but in different ways.

In the cumulative taxes, the perſon who pays does not always perceive the reaſon of his paying. He imagines that he is taxed only becauſe it is known that he is able to pay a certain ſum.

In the proportional, the deceit is of another nature. When a perſon buys a conſumable commodity, which has paid an exciſe, he does not perceive that the price he pays for it comprehends a tax upon his paſt gains, in favor of the public; but he concludes the whole to be neceſſary, in order to procure what he has an inclination to conſume. An example will make this plain.

Suppoſe a tax laid upon wheel carriages, and that every perſon in the ſtate were liable to pay a certain ſum in proportion to the number of carriages he has for his convenience. The tax-gatherer comes at the end of the year and demands the ſum. The perſon complains that he is not at liberty to have a coach or a chaiſe without paying duty for it; and that while he has occaſion for one carriage only, and has but one pair of horſes he is obliged to pay for ſeveral ſets of wheels.

Now, ſuppoſe this cumulative tax were turned into a proportional one, and that wheels were to pay a ſtamp-duty, or the like, in the hands of the wheelwright. The price would immediately riſe; but this riſe would ſoon become familiar to the man who has the carriage; and he would then be no more hurt by this additional expenſe, than if it had proceeded from ſome new and expenſive faſhion of

wheels: in ſhort, wheels would generally begin to bear an advanced price, and very ſoon no body would inquire how it came about, nor once complain of the tax.

To ſet this in another light, the difference between the two impoſitions reſembles that between long and ſhort accounts, which to poor people is very great. When the expenſe of living is inſenſibly and univerſally augmented, by the effect of proportional taxes, then the induſtrious man, who enjoys neither ſuperfluity or idleneſs, may and can augment the price of his work in proportion. This augmentation forms then a part of what has been called his (A), which he draws fully back when he comes to market. But if the ſame, or even a leſs ſum be raiſed upon him by a cumulative tax, it comes upon him at the end of the year, or at the end of the quarter, and let him be ever ſo provident, he cannot draw it back, or raiſe the price of his work, becauſe of the unequal competition of other people of his own claſs, who, from a variety of circumſtances, cannot all be ſo equally loaded by the cumulative as by the proportional taxes. Beſides, they may not be ſo provident as himſelf, and may work for ſubſiſtence, without making any allowance for what they are to pay the ſtate at the end of the year. Thus a double inconvenience enſues. The induſtrious poor are oppreſſed by the tax-gatherers, and the tax is ill levied. In the other caſe, the firſt never ſee a tax-gatherer, and the money is paid. Beſides theſe advantages in favor of proportional taxes, there is ſtill another, that if this tax be improperly laid on,

the defect will manifeſt itſelf by checking conſumption only; whereas in the other caſe, it will be known by the diſtreſs of individuals.

If the liberty not to conſume be taken away, as in the gabelle in ſome provinces in France, then the impoſition changes its nature and becomes a cumulative tax, as may be eaſily perceived *.

It has been ſaid, that ſo far as the three inconveniences of the cumulative taxes can be prevented, they ceaſe to be oppreſſive. From which we ſee the reaſon why exciſes are ſo eaſily paid when thoſe who manufacture the commodities charged with them, are contented to compound for them. This changes the tax into one of the cumulative kind; but gives it every requiſite to make it eaſy. Let me take an example.

A brewer who pays exciſe for all he brews, is expoſed to the daily viſit of the exciſe-man, to whom he pays the duty. Here the brewer's impoſition participates of ſeveral of the inconveniences attending

* The *gabelle*, or ſalt-tax in France, is not levied in every province; becauſe of certain privileges of exemption, which ſome have all along enjoyed.

This opens a door to the general abuſe, by ſmuggling ſalt from places where it is free, into places where the tax is impoſed, at many 100 *per cent.* above the value; and obliges the King to uſe great ſeverity upon thoſe who are loaded with this duty.

The conſumption of every family is fixed to a certain quantity; and if it be found that they have not bought, from the King's granaries, to the full extent of what is reckoned neceſſary for them, it is ſuppoſed that the deficiency has been made up from contraband ſalt, and the deficiency is exacted.

cumulative

cumulative taxes. But let me ſuppoſe that after a certain time he finds that 100 *l.* is the annual amount of his exciſe. If he makes a compoſition for it at that rate, he comes under a regular cumulative compoſition, with every advantage. He thinks no more of frauds; he no more grudges what he pays; and becomes in a manner collector of that imperceptible duty paid by all his cuſtomers.

The eaſy method of transforming thoſe taxes into one another ſhows their reſemblance ſufficiently, and the differences which we have pointed out, ſhow the principles which regulate the proper manner of impoſing them.

CHAP. VII.

Conſequence of Taxes when the amount of them is properly applied.

WE have now ſeen the objects affected by taxes, and the inconveniences which reſult to thoſe who are obliged to pay them.

It comes next to be examined, whether or not taxes of all kinds be a great load upon a people, a grievous infringement of their liberty, a means of bringing many honeſt and induſtrious people to great diſtreſs, and a great diſcouragement to marriage. I anſwer without heſitation, that taxes may be, and moſt commonly are accompanied with all theſe and many more inconveniences; but I muſt add, that

they proceed from the abuſe, and not from the nature of taxes.

In my inquiries, I have conſtantly in my eye, how man *may* be governed, and never how *he is* governed. How a righteous and intelligent ſtateſman may reſtrain the liberty of individuals, in order to promote the common good; never how an ignorant and unrighteous ſtateſman may deſtroy public liberty, for the ſake of individuals.

Raiſing money by taxes muſt always be burdenſome, leſs or more, to thoſe who pay it; and the advantages reſulting from taxes can only proceed from the right application of the money when raiſed.

When individuals only make a profit of the inconvenience of taxes, the public loſes, no doubt; becauſe they are paid for the advantage of the public, not for that of private people. If the money raiſed be more beneficially employed by the ſtate, than it would have been by thoſe who have contributed it, then I ſay the public has gained, in conſequence of the burden laid upon individuals; conſequently, the ſtateſman has done his duty, both in impoſing the taxes, and in rightly expending them.

Taxes, in this laſt view, may be conſidered as a ſaving out of every private fortune, in order to procure a public fund to be expended for the public benefit.

I have frequently recourſe to the familiar examples of private economy, in order to make applications from it to the political; which, however different it may appear, will be found eaſily deducible from the ſame principles.

Let me ſuppoſe two perſons, (A) and (B), living in the ſame neighbourhood, of the ſame rank and fortune, enjoying great ſuperfluity, but ſpending yearly the whole of their income in different ways.

Let the income of both be ſuppoſed to be 2100 *l.* ſterling; and let the branches of their expenſe be ranged under ſix different heads. Let (A) be ſuppoſed to ſpend upon the firſt 100 *l.* on the ſecond 200 *l.* on the third 300 *l.* on the fourth 400 *l.* on the fifth 500 *l.* on the ſixth 600 *l.* in all 2100 *l.*

Let us ſuppoſe (A) to enjoy in every one an ample ſufficiency.

(B), on the other hand, ſpends upon his firſt article 1600 *l.* and upon each of the other five, no more than 100 *l.* Here the firſt article of (B's) expenſe is ſixteen times greater than any of the reſt; and by the ſuppoſition, 100 *l.* is ſuppoſed to denote an ample ſufficiency upon each article.

I come to (A), and I ſay to him, you diſapprove of the extravagance of your neighbour (B) upon his firſt article of expenſe, where he ſpends ſixteen parts of his income, and where you ſpend but one; and yet you muſt allow that upon every other article of his expenſe, he is a better economiſt than you. Would it not be for your intereſt to bring the other articles of your expenſe down to his ſtandard, without increaſing any thing upon your firſt article, which is already within the compaſs of what may be called ſufficient.

To what purpoſe, ſays (A), would you adviſe me to ſo ſtrict an economy? And what ſhould I do with ſo great a ſaving on my annual income? Be in no

pain about that, I ſhall lay it out for you in diſcharging your debts; in providing for your children, and giving them a good education; in improving your eſtate; repairing your houſe; making up your incloſures; all ſhall be uſefully ſpent; and out of 600 *l.* a year, you ſhall have every thing neceſſary for your family.

Here is the repreſentation of a ſcheme between a good ſtateſman, and a people whoſe intereſt he conſults.

After the impoſition of taxes, the individuals of a ſtate, whoſe income is already formed, begin to pay greatly more than they uſed to do for every thing they conſume. A great part of this additional price goes to the public, and is thereby laid out for national purpoſes. The whole of ſuch expenſes are thrown into circulation, as much as if the rich proprietors had laid it out upon articles entirely adapted to their own taſte.

Is it not evident, that in this way of appropriating the income of a country, it muſt produce a more extenſive encouragement to induſtry of all kinds, than if the proprietors only had ſpent it? They never would have thought of becoming merchants, or of ſetting up manufactures for the ſupply of foreign markets: their whole expenſe would have been calculated to ſupply their own wants; and it would have been indifferent to them whether theſe were ſupplied by natives or by ſtrangers.

Let us apply this doctrine to common experience. Let us compare the nature of circulation in a trading town, with that of a country place, where many

gentlemen of large fortunes reſide. How extenſive the objects of the firſt! how contracted thoſe of the latter.

Let us compare again the exigencies of government, with thoſe of a trading city, what a variety of *new* wants here occur to be ſupplied, which the city never could have occaſion for?

I have ſhown that the great amount of taxes is taken from the income of thoſe individuals whoſe fortune is already made, or whoſe daily profits are conſiderable: I have ſuggeſted how circumſcribed the expenſe of this claſs muſt be, when conſidered with reſpect to the employment it procures to the body of a people. Does not the experience of former ages ſhow how apt private opulence is to ſink into treaſures, when a taſte for induſtry does not animate the lower claſſes to create new objects of deſire in the wealthy? Wherein is a ſtate benefited by the luxurious gratifications of the rich, unleſs it be by the employment they procure for thoſe who provide the objects of luxury? Thoſe very gratifications are, in one ſenſe, taxes upon the rich in favor of the induſtrious: they increaſe expenſe, and throw money into circulation. In Spain and Portugal, where induſtry is not introduced among the lower claſſes, it is the ſtrangers who in effect levy ſuch taxes upon them. Were the taxes they pay, properly applied to the encouragement of the arts, inſtead of being appropriated to private purpoſes, and to enriching private men, whoſe taſte for expenſe is always circumſcribed to the objects of their own wants, how ſoon ſhould we ſee them vying with us

in every market of Europe, and ſupplying themſelves as far as their country is calculated for it.

The reciprocal wants of induſtrious nations, reſemble the reciprocal wants of tradeſmen; all may be employed in ſupplying one another, as well as themſelves.

When the amount of taxes is properly laid out in premiums, for the encouragement of the induſtrious, the prices of labor upon articles of exportation, may be brought ſo low, that all nations who do not follow the example, muſt languiſh and decay. Luxury at home will then ceaſe to hurt the trade of the nation. In her treaties of commerce, ſhe may throw open her ports to many articles of foreign conſumption, without running any riſk by ſuch allowances; and on the other hand, ſhe will reap the greateſt advantages from a reciprocal permiſſion.

The example I have given, by which I have illuſtrated the nature of public contributions, muſt not be underſtood to tally with reſpect to proportion. It would be both ridiculous and impoſſible to reduce all the expenſes of rich men to the purely ſufficient. All I meant was, to ſhow how taxes, when properly applied, *may* be conſidered as public economy; and how the levying of them has no direct tendency to hurt a nation in point of eaſe and proſperity.

CHAP. VIII.

Of the extent of Taxation.

ONE good way to diſcover the nature of taxes, is, to examine how far it may be poſſible to carry them. This is my intention in this chapter.

I have ſaid that the object of taxes was income, and not ſtock. I have ſhown how thoſe of the proportional kind affect the income of ſtock already made, and perſons who enjoy large profits upon their daily induſtry. I have pointed out the impropriety of cumulative taxes, when impoſed upon ſuch as draw nothing more from their induſtry than an eaſy ſubſiſtence; and I have given a general preference to thoſe of the proportional kind; becauſe they conſtantly imply both alienation and conſumption: alienation in thoſe who *advance* the taxes, *conſumption* in thoſe who pay them.

Could, therefore, taxes be levied upon every alienation, where conſumption is implied, and that in proportion to the whole ſuperfluity of thoſe who are to conſume, proportional taxes would be carried to their utmoſt extent.

I ſhall now analize this ſubject, in order to diſcover how far that extent may reach; and by this inquiry, the principles of taxation will be the better underſtood.

The objects of alienation comprehend all that is in commerce among men, moveable and immoveable.

What is moveable is generally conſumable, what is immoveable is generally not ſo.

As conſumption is a requiſite, together with alienation, in order to form a proper baſis for proportional taxes, we ſee how contrary to principles it would be, to tax the alienation of lands, houſes, &c. in the ſame proportion as conſumable commodities. Theſe are *funds*, not *income*; and the money with which they are purchaſed, muſt be conſidered in the light of a fund, while it is in the hands of the buyer. When once it comes into the hands of the ſeller of the immoveable objects, it frequently, indeed, partakes of the nature of income; that is to ſay, it is ſpent in the conſumption of fruits, and of the labor of man; and then it will be affected by taxes.

This may ſuffice to recal to mind the principles we laid down in the 26th chapter of the ſecond book, concerning the effects of the vibration of the balance of wealth between the members of a modern ſtate.

The next thing we are to conſider, is the ſtate of circulation. As to that, we have frequently obſerved, how it muſt be in proportion to alienation.

This proportion is not determined by the value, or denominations of the money circulating; but by that value combined with the frequency of tranſitions from hand to hand; as the force of a cannon ball is eſtimated by the weight of the ball, and the ſwiftneſs of the motion at the time it ſtrikes.

Let us now lay aſide the conſideration of immove-

able property; and examine the nature of consumption, alienation, and sale, with respect to other things.

Consumption comprehends every thing produced by the earth, or by man; alienation is confined to that part which is exchanged between men; and sale to that part of alienation which is exchanged for an equivalent in money.

Whatever part is consumed without alienation, ought, I think, to be out of the reach of proportional taxes, unless, by some circumstance or other, it can be made to fall under the eye of the public, in a manner *resembling* its coming to market. Thus a tax upon malt is levied at the malt-house, as if it were sold to the maltster, although it be made for the consumption of the grower of the barley. In like manner, a tax upon corn for bread may be levied either at the mill where it is ground, or at the oven where it is baked *.

The worst kind of proportional taxes are those which are levied upon *private* manufacturing, and upon unmanufactured consumption, where no alienation takes place. An example of the first we have

* Examples of these kinds of taxes were familiar in former times. Vassals were obliged to grind in their Lord's mill, bake in his oven, press their wine in the public press of the territory, &c.

This was found very useful, in ages when alienation and sale were little known; but now they are considered as oppressive, and so I think they are, when compared with proportional taxes, which only take place upon the sale of the commodity: but still they are far preferable to many taxes of the cumulative kind.

in the excise upon malt, cider, candles, &c. made in private houses for private use: the last is known in Holland, where a man cannot kill his own pig, or his own calf, without paying a tax. Were taxes of that nature extended to the making of bread, cooking of victuals, &c. I apprehend they would become of a nature more burdensome than any hitherto invented, unless public cooks were established, as public ovens are in many parts of France: in such cases, taxes might be levied upon every part of consumption.

Investigations of this nature are so disagreeable, that it is with reluctance I mention them; but when, in fact, such taxes are found established in different countries, it is highly proper, that the nature of them should be inquired into.

Taxes in Holland are so multiplied, as to descend to this category, in many places, as we have seen by the example just given; but even these, however oppressive they may appear to those who are not accustomed to them, are still less so than many of the cumulative kind we have mentioned, particularly the tax upon industry and the capitation in France. They approach nearer to proportional taxes, and derive every alleviation of their burden from that circumstance. He who pays such taxes, sees that he can avoid them, by retrenching his consumption; and when they fall upon the necessaries of life, he may draw them back, providing he be an industrious man, and that every one who enters into competition with him for employment, be equally subjected to the same burden. But tehy are more burdensome than those where

ſale takes place; becauſe when a poor man, who wiſhes to conſume, wants money, he conſiders himſelf in the ſame light as if the thing were not to be ſold; but when he has that which he has acquired by his labor, and cannot conſume it for want of money to pay for a permiſſion, as it were, he muſt either ſtarve for hunger in the midſt of plenty, or be reduced, perhaps to beggary, for having preſerved his life by defrauding the tax.

What has been ſaid, is, I think, ſufficient to ſhow the varieties which occur, when taxes are impoſed upon bare conſumption, where no alienation takes place: they muſt, in every reſpect, be ranged under thoſe of the proportional kind, although ſome principal requiſites be wanting to engage any one to approve of their inſtitution.

It appears ſtill more difficult to eſtabliſh a proportional tax upon barter, or the exchange of commodities one for another, unleſs ſale be underſtood. This would be the caſe were a private perſon, not ſubject to the exciſe upon malt made in his own houſe, to pay in that commodity. He would not there eſcape the imputation of fraud; and might, with propriety, be conſidered as a retailer. I do not, however, doubt but examples of taxes upon barter might be found; ſome even occur to myſelf; but they are almoſt too trifling to mention*.

The laſt and principal requiſite, to render proportional taxes eaſy and light, is ſale. There the

* Two gentlemen in France exchange caſks of their wine, they are both obliged to pay a tax upon removing the wine from their cellar. This duty is called *Remuage*.

burden muſt be proportional to the buyers purſe; and if it prevents the conſumption of the thing taxed, the defect will manifeſt itſelf.

Of theſe taxes we may ſay, that they are in proportion to circulation; and accordingly, we ſee how difficult it was to raiſe them, ſo long as circulation remained confined to the ſmall quantity of coin in the country. As money increaſed, both by the increaſe of trade and alienations, they became more productive; and were the nature of them rightly underſtood, and were they properly impoſed, they would ſoon be more generally adopted.

In treating of public credit, I have ſaid that it is the duty of a ſtateſman to augment the quantity of money, in proportion as he intends to multiply taxes on his people. I ſhall now, before I conclude this chapter, explain the meaning of what was there thrown out relatively to another ſubject.

The money of a country, we have ſaid, bears no determinate proportion to circulation; it is the money circulating, multiplied by the number of tranſitions from hand to hand. Again, we have ſaid, that the prices of all things are determined by demand and competition. The meaning of this, as it concerns the preſent queſtion, is, that in proportion to the competition of thoſe who appear with money, in order to acquire what comes to market, a larger or a ſmaller ſum is brought into circulation.

Now according to the principles laid down in the firſt chapter, we ſaw how the full value of the induſtrious ſeller's expenſe and profit were made up to him in the ſale of his work; and if he even advanced any

tax upon any part of his work or conſumption, that it was refunded to him by the buyer, who, if he conſumes in the light of an idle man, pays for the whole.

Farther, when a proportional tax is impoſed, we ſaid it was, in a manner, as if the ſtate interpoſed at the time of alienation, and exacted of the purchaſer a certain value in money, in proportion to the commodity, as the price of the permiſſion to acquire what his own induſtry had not produced. From this I draw the following conſequence, that in proportion to the tax an additional ſum of money is drawn into circulation, which would otherwiſe have remained in the pocket of the purchaſer; conſequently, on impoſing proportional taxes, they cannot, at firſt, exceed that proportion of money which is found in the pockets of the conſumers, over and above what they uſed to pay for what they conſumed.

The truth of this propoſition is eſtabliſhed upon many facts. Firſt, in countries where people keep their money locked up, proportional taxes are very well paid. Hence the great amount of the *alcavala* and *cientos* in Spain, which amount together to 14 *per cent.* upon every conſecutive alienation of the commodities, chiefly indeed for the conſumption of the rich.

Secondly, when exciſes were augmented in England, in the reign of King William, Davenant tells us, that the price of the goods exciſed fell.

Thirdly, When a war has laſted any time in France, taxes ceaſe to be ſo productive.

Are not all theſe, and many other appearances, reſolved upon the ſame principle, viz. that taxes muſt come out of that money which exceeds what was neceſſary for carrying on alienation before they were impoſed?

In Spain they draw money from the cheſts of the hoarders, and increaſe circulation for a while.

In England, during King William's wars, the quantity of money being very ſmall, and trade being very low, the tax upon malt could come out of no other fund than the price uſually given for barley.

In France, people are better acquainted with taxes, and the great bulk of exciſes are adminiſtered by the farmers, who never lower their price; ſo that the diminution of the maſs of coin diminiſhes conſumption.

But when methods can be fallen upon to increaſe money according to the uſes found for it, taxes will continue to produce, conſumption will not diminiſh, and circulation will keep pace with them.

Could we ſuppoſe, that before the impoſition of taxes, every perſon in a ſtate had laid it down as a rule, to ſpend the whole of his income, but none of his treaſure, in the conſumption of what is brought to market, it is plain, that in a luxurious nation, taxes might be carried ſo high as to draw the laſt farthing of the treaſure into circulation, even though it were ſuppoſed to exceed the value which demand had fixed for all that was brought to market. But without a luxurious turn this would

not be the caſe. There are countries abounding with coin, which it is impoſſible to come at by proportional taxes. The reaſon is plain: the value which demand fixes upon the total of the articles of conſumption expoſed to ſale in the country, bears but a trifling proportion to the coin which remains locked up. This was the caſe in ancient Greece. In that caſe, proportional taxes can never exhauſt the treaſure; becauſe were they to be made high upon articles of the firſt neceſſity, all the poor would ſtarve; if upon articles of ſuperfluity, demand would ſtop.

Proportional taxes, therefore, can only be raiſed in proportion to the deſire of ſpending money; and as this deſire depends upon the ſpirit of the people, ſo muſt the extent of taxes.

Let me now trace a little the progreſs of money brought into circulation by proportional taxes in a luxurious nation. I ſhall call the value, fixed by demand, for all that comes to market (Y). The ſum levied in conſequence of the alienation of it, or in other words, the ſum of the proportional taxes (X). And the whole money of the country (Z). This premiſed, it will follow, from what has been ſaid, that ſo ſoon as all the money of the country is brought into circulation, then (Z) will be exactly equal to the ſum of (Y) and (X).

Let us next ſuppoſe the whole alienation to be made at once. Will not (Z) then immediately appear divided into (Y) and (X)? What then will become of thoſe two ſums which we ſuppoſe to enter into circulation at the ſame time? I anſwer that (Y) will go entirely free to the induſtrious ſeller;

that it is, or ſhould be, nearly equal to the former value of what came to market before taxes were impoſed: and that (X) is an additional ſum drawn from the idle conſumers, who live upon an income already made. But ſuppoſe (X) to be augmented, until it exceeds the quantity of money formerly ſuperfluous for carrying on alienation: then I ſay, that either taxes will become proportionally leſs productive, or conſumers muſt melt down the capital of their funds into paper money, to the amount of the deficiency of (X); and this will ſupply circulation with the additional ſum required in conſequence of the impoſition of taxes.

Now, I think, it is a lucky circumſtance, that the additional ſum of taxes ſhould be paid by thoſe very people who are the beſt able to borrow it upon their funds.

Let us proceed to examine the progreſs of (Y) and (X) as they continue in circulation. (Y) is no ſooner come into the hands of the induſtrious ſeller, but he has occaſion to go to market: that moment I conſider him as one of the rich; and the money which, at the time he ſold, had acquired the denomination of (Y), now reſumes that of (Z). When he comes to buy a commodity with what was formerly his (Y), there is immediately a part of it converted into a new (X), and the remainder keeps the denomination of (Y) in the hands of him from whom he buys. By this progreſs it is plain, that after a certain number of alienations, or tranſitions from hand to hand, the whole quantity (Y) will be converted into (X).

Experience

Experience ſhows this to be the fact; becauſe the amount of taxes, in a ſhort time, far exceeds the value of all the money of a country.

Let us next follow the progreſs of (X).

Upon the firſt alienation of any part of what comes to market for the conſumption of the proprietors of (Z), a proportional part of (Z) is transformed into (X), and is carried into the public coffers. Were it there to be locked up, and not thrown back into circulation, it is plain, that in a ſhort time the whole of (Z) would be converted into (X), and would be ſhut up in the exchequer.

When the amount of taxes, therefore, is ſent out of the country in time of war, muſt not this produce a ſimilar effect? Has not the exporting that amount the ſame effect with the locking it up, ſince the one and the other equally take it out of circulation? Does it not then follow, that if more money be not obtained either by borrowing it back from ſtrangers; or by melting down more ſolid property, that ſelling muſt ſtop, and (Y) diſappear as well as (X). The rich, therefore, muſt give over buying, and the proprietors of all that comes to market muſt deal by barter with one another.

How naturally do all theſe conſequences follow one upon the other! and how exactly do they correſpond to the principles which run through that part of the laſt book where we treated of banks and public credit!

Taxes are not raiſed, at this time, to remain in treaſures, but to anſwer the exigencies of the ſtate. The moment, therefore, that the money ariſing from

them comes out of the public coffers, it loſes the character of (X) and reſumes that of (Z), in the ſame manner that (Y) was transformed into (Z), by being brought to market to buy a commodity. This new (Z), as we may call it, no ſooner returns into circulation, than it becomes again converted into (Y) and (X), with this difference, however, that what came from the exchequer, ſo far as it is converted into (X), returns directly into it again.

Hence it follows, that ſtates commonly pay their ſervants the full of their ſalaries, and make them refund a part in conſequence of cumulative taxes, inſtead of proportionally diminiſhing what is due to them. And when the ſalaries themſelves are intended to be laid under poundage, which in fact is an actual diminution of them, they chuſe that the tax ſhould appear to be a deduction out of what is ſuppoſed due; becauſe it ſeems leſs arbitrary to impoſe a tax, than to diminiſh a ſalary, without aſſigning any reaſon for it; but indeed, beſides this reaſon, it commonly happens, that the particular appropriations and adminiſtration of the revenue render that method eaſier.

With reſpect to proportional taxes they affect the expenſes of the ſtate in the ſame manner as thoſe of individuals; with this difference, as we have ſaid, that the part (X) returns into the exchequer; but the part (Y) is fairly ſpent by the ſtate, as by the idle conſumer.

From what has been ſaid, we may gather the principles which lead to the moſt extenſive eſtabliſhment of proportional taxes, viz. either to draw by particular regulations, the whole real and groſs produce

of land and work to market; or at leaſt to bring it under the eye of the ſtate, in conſequence of ſome modification or manufacture performed upon it, as was obſerved with reſpect to malt-houſes, mills, and public ovens. When, by ſuch contrivances, the whole groſs produce falls under taxation, the proportional taxes muſt be gently laid on, and gradually raiſed until they begin to interrupt conſumption; then they muſt be diminiſhed for a while, until diſſipation increaſes; a caſe which will probably happen, as it commonly keeps pace with induſtry.

If we ſuppoſe the rich to ſet out on a plan of living upon their capitals, inſtead of living upon their incomes, as we have hitherto ſuppoſed, then indeed taxes may augment to a degree not to be eſtimated. This combination has already found a place in the 26th chapter of the ſecond book, where we examined it with regard to the progreſs of induſtry. In that place it was ſaid, that in proportion to credit and induſtry, it might be poſſible in the compaſs of a year, to produce commodities to the value of the whole property of the moſt extended kingdom. Were that the caſe, to what a height might not taxes be carried?

(Y) then would repreſent the whole value of the country, and conſequently, (X) would ſwell in proportion, according to the competition among the inhabitants, to purchaſe every particular article. Subſiſtence and neceſſaries might be taxed low in proportion to the abilities of thoſe of the lower claſſes; articles of luxury might be taxed in a higher proportion, in order to draw the more into the exchequer.

Were taxes thus carried to their utmoſt extent, ſtill every perſon in the ſtate muſt be left at liberty to ſave, or to ſpend the whole, or any part of his ſtock, or income; which is not the caſe when cumulative taxes are impoſed. Proportional taxes, though carried to their utmoſt extent, will not deprive an induſtrious man of his phyſical-neceſſary, nor of the reward of his ingenuity, nor of that rank in wealth, to which his birth or expenſe entitles him *.

When taxes have the effect of interrupting this harmony of expenſe, of reſtraining, the liberty of ſquandering, or of ſaving, or of oppreſſing one ſet of men more than another, in all ſuch caſes, they are improperly impoſed; and inſtead of being too high, as it is commonly ſuppoſed, I think it is a demonſtration that they are really lower than they need to be. The claſſes of men in a modern ſtate, reſemble the horſes in a team. When every horſe draws fairly and equally, the whole force is exerted; but if any one happens to be ſtrained by an overcharge thrown upon him, the force of the team is greatly diminiſhed.

When proportional taxes are carried to their full extent, I then preſume every one will be obliged to pay as much as poſſible; I do not mean that every one will be forced to pay to the extent of his abilities, but I ſay, that the generality will; and therefore, were cumulative, or perſonal taxes, to be ſuperadded on thoſe who already pay all they can, they

* A man's rank, in a modern ſociety, ſeems to be determined more according to his birth, or to his expenſe, than according to his ſtock, or income.

would, by affecting them unequally, deprive many of their phyſical-neceſſary, or ſmall profits; and conſequently deſtroy the proper balance of their competition. The ſetting the lower claſſes free from cumulative taxes, will only have the effect of putting the growing wealth of the penurious and ſaving part of the induſtrious inhabitants out of the reach of taxation. This ought in good policy to be done, as has been ſhown in another place. But, farther, we have obſerved, that taxes can only be increaſed in proportion to the ſpirit of diſſipation in the people. To force money, therefore, out of the hands of thoſe who do not incline to ſpend it, is forcing the ſpirit of the people; and if not tyranny, is at leaſt great ſeverity. Beſides, we ſhall preſently ſhow, how theſe ſavings cannot eſcape being taxed, whenever they begin to produce an income; and allowing that they may be greatly accumulated, and thrown into trade, yet ſtill they muſt in one way or other appear in alienation, and become ſubject to the proportional taxes. The only part, therefore, of the ſavings not affected by taxes, will be confined to that which is locked up. This in a prodigal nation ſhould never be touched. The inconveniencies reſulting to the ſtate from ſo ſmall an inequality of taxation, is too trifling to be attended to, and too difficult to be prevented.

I come next to examine the extent of cumulative taxes.

If we ſuppoſe the proportional taxes to be carried to their full extent, there will be little place found for the cumulative, as has been ſaid. The only objects

left for them are the ſavings locked up, and the pure profits upon trade.

But let us ſuppoſe proportional taxes out of the queſtion, as they muſt be when contrary to the ſpirit of a particular nation; and then inquire into the principles which regulate the impoſition of cumulative taxes, in order to diſcover to what extent they may be carried, and what conſequences may follow when they are brought to a height.

This branch has two objects; firſt, income, which is determinate; ſecondly, profits from induſtry, which are and muſt be very uncertain.

Income, I divide into two ſorts; that which proceeds from every branch of ſolid property, capable of producing it: Land, houſes, even cattle, furniture, &c. all may, in ſome reſpects, produce an income, more or leſs permanent according to circumſtances. This ſort of income is eſtabliſhed by leaſe. The ſecond ſort is the intereſt of money, conſtituted by the contract of loan.

In impoſing cumulative taxes upon income, it is very proper to conſider the nature of every ſpecies of it, with reſpect to ſtability. Landed property is fixed, and can not eſcape taxation, were the tax to be carried to the extent of the full income, as has been obſerved. Were the ſame proportion to be laid on houſes, they would ſoon fall to ruin, becauſe the annual proprietor would not keep them up. Like circumſtances muſt be attended to, in taxing every other article of revenue.

The method of aſcertaining the value of this kind of property, is to oblige all leaſes to be recorded,

under a ſufficient penalty. This is the method in France, for the ſake of the *contrôle*, which is exacted upon recording them; and this, no doubt, facilitates the raiſing of the twentieth penny, which operates upon all ſuch incomes.

The value once aſcertained, the whole income is at the mercy of the ſtate, in proportion to the impoſſibility of avoiding it, by any change on the nature of the fund. It is from this circumſtance that I call all ſuch taxes arbitrary impoſitions. And I call them alſo cumulative; becauſe the reaſon given by the ſtateſman for impoſing them, is, that it is juſt every one ſhould pay a general tax, for the ſupport of the ſtate, in proportion to his abilities.

As theſe taxes cannot be carried beyond the value of the income which the proprietor cannot withdraw from under the burden, we ſee the impoſſibility of eſtabliſhing them upon that income which proceeds from money. If a tax of ſo much *per cent.* be impoſed upon money lent at intereſt; the lender may immediately call in his capital from his debtor, and ſend it away beyond the reach of the tax. If the calling it in be prohibited, then all credit is deſtroyed for the future, and no more money will be lent. If the ſtateſman ſhould incline to profit of the advantage found in ſecuring money upon land-property; and if, truſting to the deſire monied-people have of ſettling their capitals in that way, he ſhould take one or more *per cent.* upon capitals ſo ſecured; it will ſtill have the effect of hurting the credit of landed men,

who have frequently no good ſecurity but their land to give.

It was formerly the practice to allow the landlords to retain a part of the intereſt, in conſideration of the tax they paid upon that part of their land, which was pledged for the ſecurity of the money borrowed; but when credit is once eſtabliſhed, that regulation has no other effect, than to oblige them to borrow ſo much dearer than other people, who have no retention to claim. Where indeed credit is precarious, ſuch a regulation would be a premium for good ſecurity.

In general, I believe, we may ſafely determine, that all attempts to lay a tax upon the income of ſo fluctuating a property as money, where the capital is demandable, will prove unſucceſsful.

The caſe is different, when the capital is not demandable, as has been obſerved in the end of the 8th chapter upon public credit; where we were ſuggeſting a reaſon for taxing the intereſt of national debts, when grown up to the full amount of all the income of a country. But a material diſtinction was there made, between thoſe debts which were ſuppoſed to be conſolidated into a permanent property, and new contracts which were to be conſidered as debts upon that property.

We ſee, therefore, the extent of cumulative taxes upon poſſeſſions which produce an income. Let us next examine how they may be made to affect other articles.

We have obſerved how improper, and how contrary to principles it is, to impoſe proportional

taxes upon thoſe branches of ſale, which do not change the balance of wealth between the contracting parties. Yet cumulative taxes may then take place; becauſe there is no reaſon to make them general, or proportional.

When lands, for example, carry titles along with them, as is the caſe in many countries; and when, as with us in Scotland they carry a right to vote for a member of parliament, a very heavy tax might be impoſed upon the alienation of them. The ſame may be ſaid of every other eſtate which requires a feudal inveſtiture to complete the right. Thus the *Lots & vente* in France, which is a portion of the price of ſuch lands due to the ſuperior or lord-paramount of the fee, amounting in many caſes to the ſixth part of the price, is a hint for a cumulative tax to be raiſed upon the alienation of this kind of property.

Were cumulative taxes properly laid upon perſonal ſervice, a regularity in levying them at ſhort intervals, and according to ſome determinate proportion, would do a great deal towards communicating to them all the advantages of thoſe of the proportional kind.

Thus a tax laid upon thoſe who work by the day, may be levied in ſuch a manner as to be tolerably eaſy. A penny a day (or more if neceſſary) paid by every induſtrious man, regularly, once a week, would ſoon enable him to raiſe his price in that proportion. But then deductions muſt be allowed for all accidental impediments; and were a plan to be concerted, many other

conſiderations would enter into it, which it would be ſuperfluous here to mention, and which, perhaps, may occur in another place.

The two articles which, in analizing the extent of proportional taxes, we obſerved had eſcaped that impoſition, to wit, money locked up, and the pure profits on trade conſtantly accumulated into the ſtock, are equally ill adapted to bear a cumulative tax. I can ſee no way of taxing money locked up, any more than money lent, without opening a door to the greateſt oppreſſion. And as to the pure profits on trade although they appear to be income, I rather conſider them as ſtock, which, according to principles, ought not to be taxed. My reaſon for not conſidering them as income, is becauſe we have ſuppoſed them to be accumulated by the merchant into his trading ſtock. They reſemble the annual ſhoots of a tree, which augment the maſs of it, but are very different from the ſeed or fruit which is annually produced, and is annually ſeparated from it. If they are ſpent by the merchants, then they are undoubtedly income, and will be affected by proportional taxes; but as they may alſo not be ſpent, and become ſtock, the cumulative tax will affect them in both caſes.

CHAP. IX.

The conſequences of an Abolition of Taxes.

HAVING endeavoured to deduce the principles of taxation, by examining the combinations which occur when we ſuppoſe it augmented to the higheſt degree, I muſt now look for new combinations, which will ſuggeſt themſelves upon examining the conſequences of a total, or a partial abolition of taxes.

So far as taxes are abſolutely neceſſary for the ſupport of government, no body, I ſuppoſe, can wiſh to ſee them aboliſhed. The object, therefore, of a ſtateſman's attention in levying taxes for indiſpenſable national purpoſes, ſhould turn upon the principles we have been examining. What now follows relates to the conſequences of aboliſhing taxes once eſtabliſhed, ſo far as it proves a revolution in the economy of a ſtate. This will lead us to examine the conſequences of taxes, conſidered as voluntary public contributions, independently of the abſolute neceſſity of raiſing them to ſupply the exigencies of the ſtate. We are therefore to examine the conſequences of ſo great a change to the whole body of the ſociety, conſidered as a nation, which requires a public ſtock, to which it may have recourſe upon every extraordinary occaſion.

When the intereſt of a whole people is examined with reſpect to taxes, they may very properly be divided into the following claſſes.

1*mo*, Thoſe who receive the amount of taxes, viz the creditors and ſervants of the ſtate, and thoſe to whom they give employment.

2*do*, Thoſe who advance the taxes, viz. all the different claſſes of the induſtrious.

3*tio*, Thoſe who pay the taxes, viz. all the rich and idle; or, in other words, all thoſe who cannot draw back what they have paid.

In theſe claſſes are comprehended thoſe who pay the taxes, and thoſe who receive the amount of them; conſequently, in whatever concerns taxes, the common intereſt of the whole taken together is what muſt regulate the conduct of the ſtateſman.

In order to determine this firſt and general queſtion, viz. the conſequence of aboliſhing taxes relatively to the cumulative intereſt of a whole ſtate, it is proper to inquire.

1*mo*, What will be the conſequence of aboliſhing taxes, relatively to thoſe who now receive the amount of them, viz. the creditors and ſervants of the public, and thoſe to whom they give employment.

2*do*, What will be the conſequences of aboliſhing taxes relatively to trade, induſtry, and manufactures: that is, whether theſe great objects are carried on to moſt advantage, when every individual contributes largely in providing a fund to be adminiſtered by a ſtateſman; or when no body contributes any thing, but when every one retains the whole of his income, and the profits of his induſtry, and diſpoſes of them as he thinks proper.

3*tio*, What will be the conſequence of aboliſhing

taxes, relatively to that part of the people who now complain that they are forced to contribute to every tax, although by their excluſion from the emoluments of lucrative employments, they bear a greater burden than others not better entitled to exemption, who thereby profit at their expenſe?

To determine ſo intricate a queſtion, ſeveral combinations of circumſtances muſt here be examined, and from the particulars reſulting in every caſe, we ſhall, towards the end of this chapter, endeavour to point out the general concluſion. I begin by examining the conſequences ariſing to the creditors, and to thoſe who ſerve the ſtate, from the ceſſation of thoſe expenſes which flow from the produce of taxes, either in paying the intereſt of debts, or in defraying the whole *actual* expenſe of government.

As to the creditors, this queſtion has been already diſcuſſed. We have ſeen that the withholding the intereſt due to them would have the conſequence of bringing on ſuch a convulſion in the ſtate, by the breach of faith, and ruin of public credit, as would throw every thing into confuſion. But with reſpect to the ſervants of the ſtate, we muſt inquire, whether the raiſing taxes for defraying this article of expenſe be more hurtful to the people in general, than the conſequences of ſuch a revolution in circulation and employment, which would follow, if the taxes were to be ſuppreſſed, and the ſervants employed by the ſtate diſmiſſed.

When the neceſſity of raiſing taxes is out of the queſtion, the hurt they do in general to a country

is when, by the impoſition, the money is taken out of thoſe hands who would have employed it for the advancement of the proſperity of the ſtate, in order to throw it into thoſe who will employ it otherwiſe. From this let us now draw ſome concluſions.

1*mo*, That if money be taken from thoſe who would have employed it in feeding themſelves, and in continuing their induſtry, the ceſſation of ſuch a tax is in a manner giving bread to thoſe who are ſtarving.

2*do*, If money were to be taken from thoſe who, having more than bare neceſſaries, would, by its uſe, increaſe the demand for domeſtic induſtry, and were that money beſtowed on a ſet of men who would employ it in the purchaſe of foreign commodities; the ceſſation of taxes, in ſuch a caſe, would, ſo far, take the bread out of the mouths of foreigners, and give it to our own countrymen.

The abolition of the firſt ſpecies of taxes is advantageous to a ſtate in every combination, let the money ariſing from it be ever ſo well employed. As to the ſecond ſpecies, the abolition is not neceſſary; becauſe the vice lies only in the miſapplication of the amount.

Let us then ſuppoſe taxes to become unneceſſary, and all thoſe of the hurtful kind, depriving the induſtrious of bread, and enriching foreigners at the expenſe of citizens, to be taken off.

Suppoſe that after all, there ſhould ſtill remain more taxes than are ſufficient for ſupplying all the neceſſary charges of government, when adminiſtered

with prudence and with economy, and that this ſurplus is beſtowed in gratifying individuals, beyond the value of all the ſervices they do the ſtate: I aſk whether this ſuperfluous expenſe is immediately to be cut off, and taxes diminiſhed in proportion; or whether it would not be more proper to let the taxes ſubſiſt, and to think of a better method of applying the amount of them?

I anſwer, that according to the ſtate of the queſtion, the body of the people, who are all made to contribute towards the enriching of a few of their number, may juſtly complain of the inequality of their condition, and have a title to demand an abolition of their taxes, unleſs it can evidently be made appear, that by granting their requeſt, there would follow a prejudice to the ſtate, which would affect their own intereſts as individuals.

To diſcover how far this may be the caſe, let us form as many combinations as we can, relative to the effects of diminiſhing taxes, and candidly examine the moſt natural conſequences of every one. If we find that the maſs of a people gain, in general, more than they loſe by paying taxes impoſed with moderation and propriety, and ſtill more if it appears that their eaſe and proſperity depend upon the levying and expending of ſuch taxes; I think we may conclude, that all diminutions of them which hurt the intereſt of the greater body, are in general hurtful to the ſociety.

Let me firſt ſuppoſe a general reform of all unneceſſary expenſe to take place at once, and a proportional abolition of taxes to go hand in hand

with it. Would not all thoſe who at preſent ſubſiſt by the ſuperfluous expenſes of government, be reduced to miſery? Would not all thoſe who ſupply unneceſſary want, equal to the whole amount of the taxes ſuppreſſed, be forced to be idle in proportion? The millions who contribute in paying thoſe ſums would be differently affected. Thoſe who pay out of a fixed and certain income, would feel an immediate benefit from it; thoſe who contribute by proportional taxes would alſo be gainers, providing they be of the idle claſs; but all the induſtrious would loſe in proportion, if the prices of ſubſiſtence ſhould not fall with the diminution of their taxes. All the manufacturers of exciſeable goods, who had been uſed to *advance the taxes*, as we have obſerved, would gain conſiderably. For the diminution of the taxes would be total as to them, though not to their cuſtomers; becauſe traders would never want pretences for keeping up the price of their commodities beyond the proportion of what it ought to be, when duties are taken off.

I decide with the greater certainty as to this particular, from the analogy it bears to the conſequence of changing the denominations of the coins in France, which long experience ſhows never to have the immediate effect of regulating prices proportionally.

But as we are here conſidering the conſequences of a ſudden abolition of taxes, let us, for a moment, conſider, with an eye of humanity, the ſcenes which would unavoidably open to our view, both in the formerly opulent habitations of thoſe who were wont to wallow in public money, and in the comfortable

comfortable dwellings of many others of every denomination, who, either as the reward of merit, or as the recompence of painful induſtry, had ſupplied the wants of uſeleſs armies, navies, arſenals, dock-yards, &c. formerly paid out of taxes, now aboliſhed, and who thereby had ſubſiſted and brought up their families.

Are not all theſe children of the ſtate? Have they not had fathers and mothers who have been greatly relieved by procuring ſuch outlets for them? Have they not children who are educated and brought up with the amount of their ſalaries, and profits of their ſervice? Have they not had people of every claſs of induſtry, who have gained their bread by providing for their wants, while they were ſupplying thoſe of the ſtate, now become ſuperfluous? In one world, does not the money they receive, circulate and return to the grand river, as I may call it, in the ſame manner as that of other members of the ſtate?

For theſe reaſons, I ſay, that taxes once properly impoſed, and brought to circulate through a certain channel for a long time, cannot, *ſuddenly*, be ſuppreſſed, without occaſioning far greater miſery and diſtreſs than can ariſe from them, when levied with any degree of intelligence. This is nowiſe peculiar to the ſuppreſſion of taxes; it is equally the ſame, in every ſudden revolution of property. When the Templers were univerſally rooted out of Chriſtendom, who doubts of the afflictions, miſery, and diſtreſs, which followed to every claſs of inhabitants employed by them, in every king-

dom in Europe? Could ſo large a conſumption as that of ſo great an order ceaſe at once, without drawing along with it numberleſs inconveniences? Did not the reformation itſelf, otherwiſe ſo great a bleſſing, ſtarve a multitude of poor who were fed by the monaſteries? Did not the ſecularization of ſo many eccleſiaſtical benefices do great prejudice to many families, by blotting out an infinity of ways of procuring an eaſy livelihood for their children? Let thoſe who do not feel the truth of what I here advance, examine the ſtate of the proteſtant nobility in Germany, where you find the ſame hardſhips ſtill ſubſiſting, though in a degree much inferior to what it muſt have been at the time of this ſudden revolution, which took bread from thouſands of the younger ſons of noble families.

Such revolutions have happened; ſuch inconveniences have been felt: but they were not the deliberate act of any particular ſtateſman. They were the effect of thoſe convulſions which the human paſſions occaſion. No body can juſtly impute them as neceſſary conſequences of a reformation in religion. But let any ſtateſman now, from a cool reflection upon the unneceſſary load of employments in church, ſtate, army, navy, finances, and law, and from a principle of diſtributive juſtice, aboliſh *at once* all that is ſuperfluous, and the taxes, at the ſame time, out of which the emoluments ariſe, he will very ſoon ſet before the eyes of his people, ſuch a ſcene of compaſſion, as will quickly blot out the remembrance of the favor.

We ſhould not then find ſome individuals reduced

to want, but numerous families; not a parcel of beggars ſtarved, but induſtrious manufacturers; not a ſet of eccleſiaſtics, who from their ſtate of celibacy and retreat, appeared already, in a manner, ſeparated from the commonwealth, but a multitude of people connected by marriage, by ſociety, and by all the tender bonds which unite mankind. Such a ſcene, I ſay, would not fail to excite compaſſion in the heart of thoſe very men in whoſe favor the deſolation was to be brought on; and the ſtateſman would thereby loſe the whole merit of his ill judged zeal for diſtributive juſtice, and be conſidered in the moſt unfavorable light that paſſion or prejudice could ſuggeſt.

This is a digreſſion introduced with no intention to favor a miſapplication of public money, but to point out how far a reformation in this particular is a delicate operation.

A good phyſician never attacks a diſeaſe by violent remedies, when mild ones, with time, may be made to produce the ſame effect. Nothing can reſemble an ingrained diſeaſe in a human body, more than an ingrained vicious habit in a ſtate. The ſpirit of a nation is influenced, as has been ſaid, by the adminiſtration of its government. So large a ſum of miſapplied money creates a political diſeaſe, which muſt be purged away by degrees; and new doors muſt be opened to receive thoſe whoſe former method of ſubſiſtence is thereby intended to be cut off.

Let me next examine the conſequence of a gradual and inſenſible reduction of taxes, relatively to trade, induſtry, and manufactures.

It would be both tedious and ſuperfluous to trace the ſteps by which ſuch an operation ought to be conducted. Let me ſuppoſe it complete; but let it not be ſo very gradual as to blot out all remembrance of the age of taxes, and of their effects.

We have ſufficiently analized the whole progreſs of circulation; we have ſhown how it muſt conſtantly be in proportion to alienation, and how, when deficient, induſtry ſuffers a check. Even when peace is reſtored after an expenſive war, we have ſhown how circulation diminiſhes, from the abatement of public expenſes, how money ſtagnates, and how it is conſolidated upon property of a more permanent nature.

Let us now apply theſe principles to the queſtion before us. Let taxes be aboliſhed ever ſo gradually, the circulation of the exchequer muſt ceaſe in proportion; conſequently, the whole alienation, and the whole induſtry which is the object of that alienation, muſt ceaſe alſo. The money iſſued from thence at preſent, continues its progreſs from hand to hand, and all is found neceſſary for circulation, in this age of taxation, as we have called it. What a deal of induſtry is implied in the circulation of a ſum equal to all the taxes! Let thoſe who chuſe to calculate, ſtate the following proportion, becauſe I will not here interrupt my ſubject.

As the whole money of the country is to all the alienations performed by it, ſo is the ſum of taxes to that part of alienation which will fall with them.

If a gradual diminution of taxes muſt have the effect of extinguiſhing ſo much induſtry, it will

have the effect of ſtarving the induſtrious who lived by it. But before they ſtarve, the price of work muſt fall below the price of the narroweſt ſubſiſtence: becauſe the never failing foreign demand for ſubſiſtence will keep it above the rate of their ſlender abilities, as long as any trade remains.

To imagine a foreign outlet for cheap manufactures, while the ſubſiſtence of workmen is at par with other nations, is againſt all principles; as it is againſt experience, to ſee a country without revenue, and without taxes, carrying on with ſucceſs the operations of induſtry and foreign trade.

Compare, therefore, the ſituation of ſuch manufacturers with thoſe in the age of taxes. Compare thoſe who would augment a ſupply far beyond all the demand for it, with thoſe who are paying large taxes, and as regularly drawing them back, either upon the ſale of their work, or in conſequence of wages which enable them to be idle two or three days in a week.

In ſuch a ſituation, how ardently would the former wiſh to ſee the idle conſumers furniſhing again a copious ſupply of money to government, for removing ſuch inconveniences. They would then quickly perceive that they had not been of that claſs which had felt the load of taxes; they would recal to mind the joyful hours they had ſpent in public houſes; the fortunes which every induſtrious man might hope to accumulate, while every branch of induſtry was kept alive, by the means of a copious circulation.

If, therefore, the induſtrious claſſes of a people cannot be benefited by an abolition of taxes; let us next inquire, to whom the advantage would accrue.

It has been ſaid, that the idle conſumers pay all taxes of the proportional kind; the proprietors of lands, houſes, &c. bear every where a very large ſhare of taxes both proportional and cumulative. This claſs of men, therefore, are thoſe who bid the faireſt to reap a benefit from an abolition of them. But the proprietors of lands are by no means included in the claſs of idle conſumers, in every reſpect; although they may be conſidered in that light, with reſpect to ſuch taxes upon their conſumption as they do not draw back from their direct induſtry, in producing ſome manufacture which they may ſell again, with a profit proportional to the tax they paid. They are maſters of a property, which, in a country of induſtry, is daily augmenting in its value. Their fortunes; often ſwell faſter than thoſe of any one claſs of the induſtrious; but they augment by annual income; the fortunes of all the reſt, increaſe by the capital. Every penny raiſed in a landlord's rent, is equivalent to half a crown gained by a merchant.

If it be true that taxes, rightly impoſed, do no prejudice to any of the manufacturing, or any-wiſe induſtrious claſſes of a people; and if it be true, that an abolition of thoſe taxes, by contracting circulation, would diſcourage induſtry; then we may determine that the landlords would loſe much more in finding the improvement of their lands interrupted, than all they can gain by adding their taxes to their preſent fortunes.

Combinations of this ſort are ſo involved, that I cannot pretend to unfold them ſtep by ſtep, as might be done in caſes of a more ſimple nature. The concluſions therefore drawn from reſearches of this kind, do not command that aſſent, which we find in a manner extorted from us upon other occaſions. In this chapter, I have not undertaken to demonſtrate that the judicious impoſition of taxes is advantageous to a country in every reſpect. My view is to point out the advantages they actually have. The common opinion is that they are hurtful. Our feelings, however, have raiſed doubts with many great men concerning the truth of that propoſition. If my inveſtigations, however imperfect, and however liable to objections, ſhould faciliate to others the clearing up a point, which is beyond the reach of my capacity to extricate, this conſideration will be a ſufficient encouragement for me to proceed.

Let me, therefore, lay aſide the thoughts of analizing the effects of taxes, with ſuch accuracy as to form a demonſtration of their being more beneficial than hurtful to an induſtrious nation, and that the throwing them back into circulation does more good, than the raiſing them does harm. But let me ſhow, in general, that the intereſt of landed men, who, I think have, beyond all doubt, been proved to be thoſe who, in the firſt place, pay a conſiderable part of proportional taxes, does by no means require an abolition of them.

The proprietors of lands, whom we have hitherto conſidered as being of the claſs of the idle conſumers, advance their rents by the great demand produced

for ſubſiſtence, in conſequence of induſtry. This, if it does not raiſe the price of ſubſiſtence, keeps it, at leaſt, at an equal ſtandard; and that ſtandard muſt bear a proportion to what it is worth in other nations, as long as trade ſubſiſts. But let trade decay, let domeſtic induſtry fail, it will not be the foreign price which will then ſupport the rate of our markets. What a multitude of circumſtances contribute to the exportation of our ſuperfluity! I can ſend from Charing-croſs, any parcel whatever, to the diſtance of fifty miles, cheaper than from my own country habitation, where I can have a man, with a cart, for two ſhillings a day. From Charing-croſs, I can ſend, at an hour's warning, many thouſand tuns weight: here I could not do the ſame in many weeks. Near London, an extended common may be incloſed and improved in a ſeaſon: here, the improvement of a ſmall field is the buſineſs of a man's life. Let me even conſider how matters are changed within theſe fifty years. Undertakings which now are executed with little difficulty, were then abſolutely impracticable. An army was neceſſary thirty years ago to make a road of a hundred miles, and the inhabitants were aſtoniſhed at the execution of it *.

Were it neceſſary, at this time, to do as much every year, if money be but provided, hands will not be wanting, either to conduct or execute the plan.

The number of people, *well employed*, makes the proſperity of a ſtate; and the profits of the opulent claſſes, by the augmentation of induſtry, more than

* Wade's road through the highlands of Scotland.

compenſates all the burden of their taxes. They grow in relative wealth; and the acquiſitions they make, are commonly exempted from the cumulative taxes raiſed upon their poſſeſſions. In proportion to their induſtry in improving their lands, their fortunes augment. The preſent ſyſtem of taxes does not interrupt their operations. Were any great change in that particular to take place, which might ſink the market prices of ſubſiſtence, even allowing that it would prove an advantage to foreign trade, they, I am ſure, would be the firſt who would feel the inconvenience.

It may be wondered, why I have not ſuggeſted, as a conſequence of taxes, the increaſe upon the price of the earth's productions, which is a direct indemnification to all the landed intereſt, more than equivalent to the taxes they pay. But taxes upon land, do not augment the price of grain, as they raiſe the price of exciſeable goods. The reaſon is plain. The tax upon land affects only the proprietor's ſhare of the produce of his lands: were he to attempt to raiſe the price of his grain, in proportion to the tax he pays, his farmer, who pays no land-tax for his portion, would underſell him in the market. A tax never can raiſe a price, except when it is laid on ſo univerſally, as to make it impoſſible for any perſon to avoid it, who ſells in competition with another who pays the duty. It is from this principle that ſmuggling often ruins fair traders: the ſmuggled goods are ſold cheaper than thoſe which pay duty, and the fair trader is thereby forced to ſell below what he can afford.

On the whole, I believe that when this queſtion is thoroughly underſtood, it will be found, that taxes affect prices far leſs than any one could imagine; except in the caſe of exciſes, rightly impoſed, and levied without fraud. There indeed they have their effect, but in every other mode of impoſing them, I am apt to believe that they do not produce the conſequences commonly aſcribed to them. I have already ſuggeſted the reaſon in a former chapter upon this ſubject; where the influence of competition in the markets where commodities are ſold, has been proved to work more irreſiſtible effects in regulating the price of work in general, than any thing that taxes, not immediately impoſed upon the very article of conſumption, can produce. But if in ſpite of all that has been ſaid, it ſhould be urged that the prices of labor and manufactures riſe in proportion to taxes, I anſwer, that the difficulties reſulting upon this hypotheſis, would be many more than could be objected to the other theory. Could, for example, any man aſſign a reaſon, why a pound of the beſt ſnuff in England ſhould be ſold dearer than in France, where it pays a duty of above two ſhillings ſterling; why many articles of manufacture can be afforded cheaper in England, than in Scotland, where taxes are certainly lower, and althongh a day-laborer in the firſt be paid a ſhilling, and in the laſt little more than eight pence; why ſubſiſtence ſhould be abſolutely dearer in Scotland than in England, taken upon an average; why univerſal experience ſhould prove, that when the price of ſubſiſtence is raiſed by ſcarcity, work inſtead of riſing, is conſtantly lower than at other times?

From all theſe appearances, added to the arguments I have uſed to prove that taxes are not prejudicial to induſtry, I conclude, that the theory I have attempted to give is juſt in the main; and that when taxes are judiciouſly impoſed, and actually levied without oppreſſion, they enrich a nation.

1*mo*, By putting into the hands of a good ſtateſman, the means of removing every abuſe; of rendering the ſtate reſpected by its enemies; of ſupporting every claſs of induſtrious inhabitants, when their particular branch falls under diſtreſs; of providing an outlet for many young people, who in time become ornaments to their country, and inſtruments of her defence; of ſupporting foreign trade by bounties on exportation; of encouraging the improvement of lands, the eſtabliſhment of colonies, the extenſion of fiſheries, and every other ſcheme for augmenting the production of ſubſiſtence and manufactures.

2*do*, That the multiplication of taxes, excluſive of the encouragements juſt mentioned, which are beſtowed gratuitouſly on trade and manufactures, do, of themſelves, and independently of the proper application of their amount, augment, demonſtratively, the maſs of circulation, alienation and induſtry; and in this reſpect may be conſidered as a voluntary contribution, in the firſt place at leaſt, from the rich who pay them, to the induſtrious who directly draw them back.

3*tio*, As to that part of the people, who pay their taxes without ſharing the advantages of thoſe who ſerve the ſtate in lucrative employments, I ſay the

induſtrious part of them pay nothing; and the demand for what they produce, is greatly increaſed by the expenſe of thoſe very men who are the objects of their envy: and farther, that if an alteration were to be made on the revenue, by any abolition of taxes, thoſe who imagine themſelves hurt at preſent, might find, by ſad experience, a much greater, and much more real hurt, from what would diſturb the harmony of the preſent ſyſtem.

To conclude, we have a tolerable notion of the ſtate of induſtry in former times, when taxes were little known; we may ſee the progreſs it is making in countries where, at preſent, impoſitions are comparatively lower than elſewhere; and we may compare the ſtate of thoſe countries with our own, as to eaſe and happineſs. From ſuch inquiries, nothing, I apprehend, can be concluded in favor of the progreſs of induſtry, from an abolition of taxes.

That ſuch an abolition may produce ſome good effect, as yet unknown, I ſhall not pretend to deny: we have not lived long enough to ſee any experiment of this kind put in practice.

From the expoſition I have given of this matter, there ariſes a great difficulty to be ſolved.

Taxes are paid, no doubt, and no body according to this theory ſeems to pay them. The induſtrious draw them back; the proprietors of land and ſolid property are ſaid to be indemnified; prices, it would appear, are not to fall by a diminution of taxes, in favor even of the moſt idle conſumer; they are not made to riſe in conſequence of an augmentation on them: Whence then do taxes proceed? From

what fund do they ariſe? What intereſt do they affect? I can ſolve all theſe difficulties, by an anſwer to another queſtion. From whence ariſes the value of a ſmall parcel of flax, when wrought into fine lace? It ariſes from the price paid for time well employed; which produces nothing when ſpent in idleneſs. This is the fund out of which the greateſt part of taxes is paid; it is a fund created by the induſtrious Britons, which I hope will increaſe for many centuries, tho' taxes ſhould increaſe in proportion. * It is worth more than ten times all the taxes which could be raiſed, and all the landed property without it. Let that time be ſpent in idleneſs, and the whole produce of this iſland would not ſupply the expenſes of government for a month.

CHAP. X.

Are taxes a ſpur to induſtry, as ſome pretend?

IT is not eaſy to find out, a *priori*, how taxes ſhould prove a ſpur to induſtry. What makes ſeveral people adopt this opinion is their feelings, in conſequence of many circumſtances ariſing from experience, rather than what reaſon, or the nature of the thing has pointed out. But as nothing can be produced without an adequate and natural cauſe, it is proper to examine this political problem, by an application of the principles we have laid down in the former chapters. If theſe be juſt, we ſhall diſcover by them, how it happens that in countries where

taxes are high, where living is dear, and where every circumſtance ſeems to render the means of ſubſiſtence difficult to obtain, people live in the greateſt plenty, are beſt and moſt eaſily ſubſiſted, and that induſtry there makes the greateſt progreſs.

For the ſolution of this queſtion, let us call to mind the principles which influence the multiplication of mankind, and the increaſe of labor and induſtry, laid down in the firſt book. We there explained how the wants of mankind promote their multiplication.

Money, the inſtrument of alienation, was repreſented as the primum mobile in this operation; a deſire in the rich of acquiring every thing with money, that is *demand*, was ſhown to be the ſpur to induſtry in the poor. It was ſaid, that if riches did not inſpire a taſte for luxury, that is for the conſumption of the labor of man, theſe riches would not circulate; and that they would then be adored rather as a god, than made ſubſervient to the uſes of men.

Connect herewith that the impoſition of taxes is a method of bringing money into circulation; that thoſe of the proportional kind have the effect of drawing from the rich, an additional price upon every thing they buy, which goes for the uſe of the ſtate, and which otherwiſe would not have entered into circulation at that time.

From theſe principles, I conclude, that taxes promote induſtry; not in conſequence of their being raiſed upon individuals, but in conſequence of their being expended by the ſtate; that is, by increaſing demand and circulation.

From the principles above laid down, I cannot diſcover the ſhadow of a reaſon, to conclude that the taking arbitrarily away from ſome individuals, a part of their gains by cumulative taxes, or proportionally from others, by augmenting the price of what they buy and conſume, muſt in any reſpect imply an incitement in the conſumers to demand more; and without this it never can excite the induſtrious to augment the ſupply.

I readily allow that every one who has been obliged to pay a tax, may have a deſire to indemnify himſelf of the expenſe he has been put to, by augmenting his induſtry; but if on the other hand, taxes have put every on to a conſiderable additional expenſe, in proportion to his eſtate, it would be abſurd to alledge this diminution of his fortune, as the cauſe of a deſire to augment his conſumption.

Examine on the other hand, the uſe made by the ſtate of the money raiſed, and you will eaſily perceive the juſtneſs, I think, of the above mentioned principles. This money belongs to the public, and is adminiſtered by private people. Public expenſe is defrayed with a full hand; they who beſtow the money, beſtow it for the public, not for themſelves; and they who work for the public, find, or ought to find, the greateſt encouragement to be diligent.

Every application of public money implies a want in the ſtate; and every want ſupplied, implies an encouragement given to induſtry. In proportion, therefore, as taxes draw money into circulation, which otherwiſe would not have entered into it at that time, they encourage induſtry; not by taking

the money from individuals, but by throwing it into the hands of the ſtate, which ſpends it; and which thereby throws it directly into the hands of the induſtrious, or of the luxurious who employ them.

It is no objection to this repreſentation of the matter, that the perſons from whom the money is taken, would have ſpent it as well as the ſtate. The anſwer is, that it might be ſo, or not: whereas when the ſtate gets it, it will be ſpent undoubtedly. Beſides, had it been ſpent by individuals, it would have been laid out for the ſupply of private wants, which are not near ſo extenſive as thoſe of the public: and farther, when money is ſo taken from rich individuals, it obliges them to find out a way of procuring more, out of their ſolid property; and when this facility is not procured for them by their ſtateſman, we ſee how taxes become both oppreſſive and ill paid. On the contrary, when it is provided, either by the returns of foreign trade, which greatly augment the coin of a country; or by banks, which melt down property into paper circulation; we ſee taxes augmenting conſtantly, without creating any impediment to conſumption, or diſcouragement to induſtry. All theſe conſequences hang in a chain, and hence the ſolidity of the principles upon which they depend may be gathered.

After this ſolution of the queſtion propoſed, let thoſe who are verſed in hiſtory combine circumſtances, and examine whether facts do not prove the truth of what I have ſaid.

During the time of the Roman empire, when the riches

riches of Aſia flowed into the coffers of Rome, and were conſtantly exhauſted by the prodigality of the emperors, we perceive, from many circumſtances, to what a degree the conſumption of ſuperfluities augmented. The price of certain commodities roſe to an exceſſive height; induſtrious people, of the loweſt extraction, were daily ſeen to amaſs prodigious fortunes: theſe are proofs of circulation. But when we conſider the expenſes of a Lucullus, or of a Craſſus, who conſumed, it is ſaid, the work of ten thouſand ſlaves, and compare the conſequence of that conſumption with the expenſe of a modern, who ſhould conſume the induſtry of ten thouſand freemen, we ſhall find a wonderful difference in the effects of the one and of the other, with reſpect to circulation, and the encouragement given to induſtry.

There was no alienation between Craſſus and his ten thouſand ſlaves, notwithſtanding all the work conſumed; conſequently, the only circulation implied by this conſumption was in proportion to the neceſſaries which the maſter was obliged to purchaſe for ſo great a multitude: and if we ſtill ſuppoſe all thoſe neceſſaries to have been produced by their own labor, then the ſtate of Rome could not, but by an arbitrary impoſition laid upon Lucullus and Craſſus, draw one farthing out of their coffers; conſequently, induſtry could not increaſe in proportion to the loads of wealth brought from Aſia by thoſe generals. Whereas were Lucullus now at London, or at Paris, he would not be able to ſpend a ſhilling, without giving a penny, and perhaps more,

out of his treaſure to the ſtate, which would immediately throw it back into circulation.

As we are now on the ſubject of circulation among the ancients, let me briefly trace the progreſs of it in Europe, through different modifications, to our own times, and ſo cloſe this chapter.

When the ſeat of empire was tranſlated to Conſtantinople, and all the Aſiatic provinces attached to the Emperors of the Eaſt, a ſtop was put to the augmentation of coin and bullion in the empire of the Weſt. A conſiderable part of what had formerly been there returned to Conſtantinople, and the remainder fell a prey to the barbarous nations which over-ran it. This may be called the firſt period.

Theſe barbarians, by enſlaving all the ancient inhabitants, and by forcing them to perform every kind of ſervice, muſt have had little uſe for coin. What they coined appears to have been broad and thin.

Let any one reflect upon the inſenſible waſte of ſilver plate, and the ſtill greater loſs on coin which circulates; the vaſt ſums carried off in the time of the Croiſades; the quantities buried or thrown into rivers in times of devaſtation; and add to theſe circumſtances, that from the fifth century after Chriſt, till the diſcovery of the Indies, there was, probably, little or no ſilver or gold brought into Europe; and it will appear very natural, that coin ſhould have been at that time much more ſcarce than formerly.

How contracted circulation was during the 13th and 14th centuries, may be gathered from the an-

ecdote concerning alienation in France, mentioned in the third chapter upon public credit.

But farther, the great ſubordination eſtabliſhed by the feudal form of government, and the military ſervices to which ſuch numbers were bound, had the effect of preſerving the ancient ſimplicity of manners, ſo unfavorable to induſtry. The conſequence was, that Princes could raiſe no taxes; and that all the money the people had was locked up in their cheſts. We know there were in thoſe days abundance of wealthy people; but their wealth inſpired them with no diſpoſition to conſume at the expenſe of ready money.

The diſcovery of the Indies opened a third period, and threw great riches into the hands of the Spaniards: the houſe of Auſtria was the firſt enriched, and appeared with great ſplendor for ſome time. Charles V. by his extenſive dominions, had an opportunity of diſtributing this new gotten treaſure among his ſubjects in Flanders, his native country: this ſet induſtry to work in that quarter. The Portugueze diſcovered the Eaſt Indies: a new enticement to luxury; a new motive to become expenſive. The Hollanders became a trading people, and with the money which their induſtry had drawn from the magnificent Spaniard, they ſhook off his yoke. Money inſenſibly began to circulate. Princes immediately found, as has been ſaid in the ſecond book, that it was neceſſary for them alſo to augment their revenue, in order to maintain a proper ſuperiority over their ſubjects in point of riches. The increaſe of circulation among individuals made it more eaſy

to raiſe taxes; and the throwing the amount of them back again, in gratifications to the chief people of the ſtate, engaged thoſe who came by money in a manner gratuitouſly, to expend it as freely as they received it. No wonder, then, if Princes found it an eaſy matter to load their ſubjects. They were ſupported in this ſcheme by the great men of the ſtate, who found a benefit from it. This revolution has totally changed the face of affairs in the preſent period of circulation. Courts are ſplendid; armies are numerous; buildings, in cities and in the country, are magnificent; an old city, compared with a new one, appears hideous; all public works are carried on with that ſolidity which we admire in thoſe of ancient Princes and ſtates, when nations led into captivity were employed to perform them. In thoſe days the magnificence of Princes was in proportion to the groans of their ſubjects; now they are in proportion to their wealth and eaſe. Whence proceeds the difference, the effects are the ſame? From good government, and a well regulated political economy.

CHAP. XI.

Conſiderations upon Land-Taxes, with ſome Obſervations upon thoſe of England and France.

OF all the kinds of cumulative taxes, that which is properly impoſed upon lands ſeems the beſt: that is, it implies the feweſt inconveniences to the perſons

paying, and to the ſtate in raiſing it. That it is an unequal impoſition is plain and certain: this character is unavoidably attached to every ſpecies of cumulative taxes, in one way or other. It has alſo the effect of caſting a general diſcredit upon the purchaſe and improvement of land; becauſe the proprietors are naturally expoſed to augmentations, which may, almoſt with the ſame eaſe, be carried to the total amount of the income, as to any proportional part of it. This has been mentioned in a former chapter, where the intereſt of a nation's debts was ſuppoſed to increaſe ſo as to equal the value of all the land-rents, and the whole revenue of individuals.

Land-taxes are impoſed in various forms in different countries, and all are ſuppoſed to bear a determinate proportion to the rent. This, however, is never, nor indeed can it ever be the caſe. The value of land is varying perpetually, from the induſtry of the inhabitants. Beſides this inequality, there are other inconveniences proceeding from the unequal diſtribution of property. In Scotland, for inſtance, land is divided into large portions; very few ſmall lots are to be found. The claſs of farmers, for the moſt part, labor the lands of others, who have large poſſeſſions. This is leſs the caſe, I believe, in England, and ſtill leſs in France and in Germany. A land-tax, therefore, being ſuppoſed univerſal, would, in Scotland, do little harm: in England, it falls heavier upon the ſmall proprietors; becauſe the ſum exacted bears a greater proportion to the ſuppoſed ſuperfluity of the proprietor. In France, it is ſtill worſe; for there the exemptions of the num-

erous claſs of nobles, and many other circumſtances mentioned above, entirely deſtroy even the ſhadow of proportion. It is out of my way to enter into any long detail upon this head, with reſpect to different countries.

I ſhall therefore confine myſelf to a very few obſervations upon the method of laying this tax in England; and upon a project which has been long in agitation in France, to raiſe their land-tax by way of tithe upon the fruits.

This ſcheme was firſt propoſed to the late King of France, by the *Maréchal de Vauban*, in 1699, and the propoſal was renewed ſome years ago in a performance called the *Réformateur*. But as it would prove hurtful and burdenſome to France, in a great degree, from a circumſtance which has not been attended to, the examination of this ſyſtem of taxation will ſerve as a good illuſtration of this part of our ſubject.

The land-tax in England has, in my humble opinion, two remarkable defects. Firſt, The ſums impoſed at ſo many ſhillings in the pound * upon every diſtrict of the kingdom, whether cities, towns, univerſities, or open country, even upon the King's palaces, inns of court, &c. are not diſtributed according to any rule of proportion upon the pro-

* That the aſſeſſments, in the annual act for the land-tax, are generally underſtood to be at the rate of 1, 2, 3, or 4 ſhillings in the pound, is true; but it is to be obſerved, that no ſuch rate is mentioned in the ſtatute with reſpect to real eſtates or land. The rate of a certain number of ſhillinges in the pound occurs only with regard to perſonal property.

perty of individuals; but this operation is left to aſſeſſors.

Secondly, All perſonal eſtates, except property in the public funds, and ſtock upon land, ſuppoſed neceſſary for agriculture, are charged in the ſame proportion as land-rents.

I ſhall now point out the inconveniences and bad conſequences of theſe two capital defects.

When a tax is impoſed at ſo many ſhillings in the pound upon the income of a whole diſtrict, every article of the property which produces it ought to be ſpecified. If this be omitted, there is a legiſlative authority veſted in thoſe who make the diſtribution.

The articles which compoſe the whole property, and the revenue of each article being once determined, the ſtate has it in its power to impoſe the tax according to what proportion it thinks fit; of one, two, or more ſhillings in the pound. But then, in favor of the contributors, the different articles which produce the ſuppoſed total, ought either to be ſpecified in the law, or reference ſhould be made to a book of valuation where they are recorded.

It is no eaſy matter to frame the valuation of all the property of a country: and it is a ſcheme I ſhould be very far from propoſing, unleſs the ſpirit of a nation took ſuch a turn as to wiſh for it. But where a determinate ſum has been in uſe to be levied upon a certain diſtrict, it does not appear ſo difficult to make a proportional diſtribution of it according to equity, and to adhere for the future to that

diſtribution, conſidering it as a *proportional* valuation, if not a *real* one. This is done every year, and without it no ſuch tax could be raiſed. But when annual diſtributions are made, diſcontents conſtantly ariſe; and the pretended equality thereby obſerved, produces worſe effects than the inequalities which would follow from the other ſcheme: becauſe the change in the relative value of poſſeſſions would then be chiefly owing to the induſtry of every proprietor in improving his lot.

How valuations in England were made originally I cannot tell*; but in Scotland, it is very certain, that as to lands they were all ſet down in a book of valuation at their ſuppoſed rents at that time. So let the ſum raiſed be what it will, every man at leaſt

* There is no veſtige in the hiſtory of England, ſince Doom's-day book, of any regular valuation being made of all the *lands* of the kingdom, nor of any tax impoſed, *ſingly*, on that branch of property.

The ſubſidies, monthly aſſeſſments, and pound rates, in the different ſtages of the monarchy, have been mixed duties; compoſed of a charge upon the lands, upon the money and perſonal eſtates of the ſubject, and frequently including a poll-tax, where qualities, that is rank, were differently charged.

The whole operation of diſtributing and raiſing this duty, has been by commiſſioners named by the King, or by parliament, who ſometimes upon oath, and ſometimes not, inquired into the extent of every one's private fortune, and aſſeſſed them accordingly. Whoever wiſhes to have a more full account of this confuſed method of raiſing a land-tax in England, may conſult Davenant's Ways and Means, Article of Monthly Aſſeſſments, and Aids upon a Pound-rate.

knows that his proportion muſt be according to his valuation in the general regiſter.

In England, the caſe is totally different. The proportion every diſtrict is to pay, is indeed recorded by an original diſtribution made many years ago in King William's time. By this it appears what every city, county, univerſity, &c. is to pay according as the tax is impoſed at one, two, three, or four ſhillings in the pound. This is preciſely the regulation in France, as ſhall be more fully obſerved; but ſtill ſuch regulations nowiſe prevent the moſt grievous inconveniences which attend this tax; becauſe the burden of it does not conſiſt in the total amount, ſo much as in the partial diſtribution upon the inhabitants in every ſubdiviſion.

In England, let me ſuppoſe the proportion of the general ſum for a particular diſtrict to be ten thouſand pounds, at four ſhillings in the pound. How is this to be levied as the law ſtands? Inſtead of books of valuation, which ſhow at leaſt the proportion of every man's property, if not the real value of it, aſſeſſors are conſtantly called in, who examine the rents of all the lands according to the laſt leaſes of them. If they have been improved and let at a higher rent than formerly, the proportion of the tax is augmented. If they have not been let, but ſtill remain in the poſſeſſion of him who improved them, the tax is not augmented. If the tax be found to fall too heavy upon the lands and houſes, then perſonal eſtates are made to contribute, as is the caſe in London. All queſtions or diſputes about the repartition of the tax are determined, without appeal to the courts of law, by the commiſſioners appointed for laying on the tax;

as in France they are determined by the Intendant. Without this regulation all would run into confuſion, for the reaſon I am now going to mention, and which regards the ſecond defect in this tax.

Any proprietor of lands is entitled, from the words of the ſtatute, to inſiſt that the whole perſonal eſtates of thoſe of the diſtrict ſhall enter into computation of the total value upon which the ſum impoſed is to be aſſeſſed. Were ſuch queſtions to come before a court of law, where the judges are obliged to determine almoſt according to the letter of it, I believe no land-tax could be levied in that kingdom. But manners, not laws, govern mankind. The ſpirit of the Engliſh nation is ſuch, as to be incompatible with every thing which favors of oppreſſion. Hence the few complaints againſt the aſſeſſors, or thoſe who judge between parties. And as the land-tax is levied without any complaints, except as to the total amount; while that remains the caſe, the fewer the innovations made upon it are, the better.

In France, the ſum of the *taille* to be raiſed upon the kingdom for the year is determined in the King's council; and the proportion of every diſtrict (called an *Election*) is there particularly ſpecified. The diſtrict of an Intendant is called a generality, and comprehends in it ſeveral elections. The Intendant, therefore, makes the diſtribution of the general ſum impoſed upon every election, and upon every town, village, and pariſh in it, according to a certain proportion; and rules are preſcribed to the

collectors of every parish, concerning the method of taxing every species of income, every emolument of industry, even every animal in the possession of those who are subject to this tax. This proportion is calculated to carry the most scrupulous attention to every man's gain, upon all effects belonging to him, and upon every possibility of making profit by industry. All this is carried into execution with the greatest seeming equality in the minute subdivisions.

But as the first imposition of the tax is not proportioned to the actual value of the income it is intended to affect, and as the Intendant does not set out by a particular valuation of every man's possession, before he distributes the tax upon the several parishes, he is obliged to make up the deficiencies by second and third distributions.

Although this *taille* affects every species of property producing an income, as well as every kind of industry and employment, it does not affect every landlord for his rent, so much as every cultivator under lease, for his supposed profits.

Land-rents in France belong, for the most part, to the higher classes; and these, whether they be well born or not, are exempted from this tax, providing they be *noble*; a word which has no reference to birth, but to certain privileges which any man, who has money, may acquire.

It was in order to avoid this exemption, that the Maréchal de Vauban wanted to substitute a tenth instead of the present *taille*; for a reason we shall presently see.

All the land-rents, therefore, of the nobles are

exempted from the taille, and are only affected by vingtièmes and dixièmes; but when they cultivate their own lands, their privilege of exemption from the taille is confined to as much as four ploughs can labor; and this farming muſt be carried on by menial ſervants, unmarried, in order to prevent ſuch proprietors from defrauding the tax, by really letting their lands under pretext of holding them in farm.

This exemption, as to their land-rents, is more apparent, however, than, real. It is not the *lands* of the nobles, but the *rent* paid out of them which is exempted from the taille; conſequently, by impoſing an exorbitant taille upon the leſſee, very little remains for the land-rent; and this tax being laid upon a ſet of people who are loaded with many others, is in the end more burdenſome to the proprietor, than if he paid it himſelf. But a change in this policy is impracticable. The gentlemen of France will probably never ſubmit to a *taille*; and although, by yielding up that point of delicacy, their rents might be raiſed in the end; yet as matters ſtand, they know they enjoy the rents they have, free of tax, and if once they were made to pay any part of them, they do not know where ſuch payments might terminate.

To avoid the infinite oppreſſion which reſults from the French principle of ſharing every man's profit as ſoon as he makes it, the Maréchal de Vauban propoſed to aboliſh the taille, as it is paid at preſent, together with the *capitation*, *induſtrie*, and all the train of cumulative taxes committed to

the management of the Intendants; and to eſtabliſh in their room what he called a royal Tenth, meaning by this term, a proportion of all the fruits of the earth, ſimilar to what is eſtabliſhed in favor of the clergy. This he propoſed to lay on, according to the exigencies of the ſtate, from one twentieth part to one tenth upon every article of the groſs produce of land, over all France. This he imagined to be equal to one tenth of the land-rent. And the author of a book publiſhed under the title of the *Réformateur*, containing a new plan of taxation, in which there are ſome things worthy of obſervation, follows in this particular the Maréchal de Vauban, without ever conſidering the true nature of a tax of this kind.

Of all the taxes upon the income of land-property, the tithe is the worſt; and it has undoubtedly been eſtabliſhed among men, before agriculture or taxes were underſtood. Lands in all countries are of different qualities: ſome are proper for bearing rich crops of grain, others are indifferent; ſome produce paſture, others foreſt; the revenue of ſome conſiſts in wine, in mines, and in a thouſand different productions, which coſt, ſome more, ſome leſs expenſe to cultivate. The tithe takes without diſtinction a determinate proportion of the fruits, in which is comprehended the tithe of all the induſtry and expenſe beſtowed to bring them forward. As an example of this, let me ſuppoſe a field of corn, which cannot pay the proprietor above 1/4 of the grain it produces, many I know cannot pay above 1/5, but let me ſuppoſe it 1/4: another

may pay with eaſe 1/3; another even 2/5; the fields about Padoua pay 1/2; graſs fields pay ſtill more; and rich hay fields will pay in ſome places 2/3, and even 3/4.

How then is it poſſible there ſhould be any equality in a tax which carries off, without diſtinction, a certain proportion of the fruits, when thoſe fruits bear no determinate proportion at all to the expenſe of raiſing them? But beſides the inequality of this tax among proprietors, I aſk how it is poſſible that any rent ſhould be determined for lands, which are ſubject to a *variable* tithe, ſometimes at 1/10, ſometimes at 1/20 of the produce? Let me demonſtrate the impoſſibility of ſuch a plan, by an example.

I ſuppoſe the Maréchal's plan eſtabliſhed, and that the tithe to be impoſed is to be deducted from the rent ſtipulated between maſter and tenant. This was his intention: he has in many places declared, that all tithes were to come out of the land-rent, which indeed is the only fund upon which a land-tax ought to be eſtabliſhed. And he has as often declared that he never intended this land-tax ſhould exceed one tenth of the rent, or two ſhillings in the pound.

I ſuppoſe a field, producing every year 1000 buſhels of grain, to be let: it is to pay a variable tithe, ſometimes of 100 buſhels, ſometimes of 50, according to the exigencies of the ſtate. I farther ſuppoſe one third of the produce to be equal to what the farmer can pay the landlord for rent. And I ſuppoſe the rent to be paid in buſhels of grain.

According to theſe ſuppoſitions, the rent muſt be

333 1/3 buſhels ſubject to the tithe. Suppoſe it to be laid on at 1/10, or 100 buſhels. Deduct this from 333 1/3, remains to the proprietor 233 1/3. The tithe comes next year to 1/20; this makes 50 of deduction, remains to him 283 1/3. So inſtead of 10 *per cent* of his rent, he pays in the firſt caſe 30 *per cent.* and when at the loweſt, he pays 15 *per cent.* which is thrice as much as the Maréchal propoſed to take.

But how are maſters and tenants to reckon with one another? Lands are not let according to a determinate proportion of increaſe. Suppoſe an eſtate in lands of different kinds, how is the tithe to be deducted then? Is the maſter to take the tenant's word both for the quantity and the value of every article he has paid as tithe, of every field, of every article in his poſſeſſion, even of the chickens in his yard? If on the other hand, this variable tithe is to be thrown upon the poſſeſſor, which, indeed, is the only poſſible ſuppoſition, which way are lands to be let, when we ſee that the difference of the impoſition, at different times, is no leſs than 15 *per cent.* or three ſhillings in the pound? This, however, would be the only method for maſters and tenants to reckon.

But let me ſuppoſe another proprietor to let a graſs field adjacent to that which bears grain, and that both were to be of an equal rent, ſuppoſing all tithes out of the way. The groſs produce of the graſs would be to the rent, little above the proportion of 4 to 3. Let us then call the groſs produce 1000, as in the other caſe, 3/4 of which would be 750, for the rent. One tenth of the whole taken from that would leave the rent at 650, or little above 13 1/2 *per cent.*

deduction at the higheſt tithe, and 6 3/4 *per cent.* at the loweſt.

What inequality, therefore, would not ſuch an impoſition occaſion upon land-rents, and what inextricable difficulties in letting of grounds? From what has been ſaid, without farther inquiry, we may declare that no land-tax can poſſibly be raiſed, with any equality, by a royal tithe; and the Maréchal has never conſidered farther, than how the King could with certainty and eaſe to himſelf, appropriate a portion of the lands in his kingdom, leaving the proprietors and their tenants to ſettle accounts the beſt way they could.

On the whole, nothing can make us approve of the Maréchal's royal tithe, unleſs it be the preſent oppreſſion which proceeds from the method of levying the taille; by which it happens that in France few incline to acquire the full property of lands.

Moſt of the great eſtates conſiſt of fee-farm rents. A man of three thouſand a year land eſtate, covers ſometimes with his nominal property (*dominium directum*) a whole country of fifty pariſhes; but the real property (*dominium utile*) of this vaſt extent is ſubdivided into a number of ſmall fees, of which he is only lord paramount; and what remains is the property of the lower claſſes, who pay what is called *Rentes Seigneuriales*, or noble rents, conſiſting in money and grain. Theſe rents can nowiſe be affected by any tithe impoſed, becauſe they bear no proportion to the produce: and ſuppoſing they did, as in ſome provinces, where they are called *agriers*, which

(which is the 1/6 or 1/8 ſheaf paid to the lord) the tithe, inſtead of taking a tenth of the *agrier*, takes a tenth of the whole crop; conſequently, only one tenth of this ſixth or eighth ſheaf falls upon the lord; the tithe of all the reſt falls upon the poor proprietor or leſſee, who the more he is induſtrious, is oppreſſed the more by this impoſition; becauſe it carries off the tenth of his expenſe and labor, as well as of the farm which he rents.

This is the tax which the Maréchal de Vauban recommended to be raiſed univerſally over all the land-property of France, when the tithe was at the higheſt. To this the late reformer adheres; but propoſes the twentieth inſtead of the tenth; and after a nice calculation of the groſs produce of France, he eſtimates one twentieth part of it to be worth about 95 millions of livres *per annum*. Hence I conclude, that the twentieth part of the income, or one ſhilling in the pound of all the revenue of ſolid property in France, fairly collected, would not much exceed one third of that ſum, or about 30 millions, or 1 333 333 *l.* ſterling. This firſt part, therefore, of the Maréchal's tithe, impoſed at 1/20, would lay a tax equal to three ſhillings in the pound on the poor leſſees and vaſſals of the nobles, while, contrary to his expreſs intention, the whole fee-farm and noble rents of France, would eſcape taxation. From this we may conclude, that no tax upon land-rents can poſſibly be raiſed by way of tithe: as alſo that when it is taken in kind it is the moſt oppreſſive, the moſt unequal, and the

moſt diſcouraging to induſtry, that ever was contrived.

The Maréchal's principal motive for propoſing this mode of taxation, was to avoid the difficulty of obliging the nobles to pay the taille. He found alſo, that there would be great eaſe in collecting this revenue for the King, without demanding money of the lower claſſes. The conſequence, however, would have been, either to ruin all leſſees, if they continued to pay the ſame rent for the lands as formerly, or to introduce the greateſt inequality imaginable among proprietors, if the tithe had been totally caſt upon their rents: but as to the method of ſettling accounts between maſter and tenant, in conſequence of this tithe, both the Maréchal and the reformer are totally ſilent.

The Maréchal's *Dixme royale*, with all its defects, is a book of great value, from two conſiderations.

The firſt, that he had all poſſible acceſs to come at the true ſtate of the nation. The ſecond, that he wrote with great impartiality, and with a ſincere deſire to ſerve the landed intereſt, without intending to hurt that of the King his maſter. From this book, we have an opportunity of judging of his notions of taxation; and from the conſequences he himſelf points out, we diſcover the miſerable ſtate of the common people in France, whoſe ſituation at this day is not much changed for the better.

The Maréchal's ſcheme was to reduce the whole revenue of France under four heads.

The firſt, a general tithe of all the fruits of the earth, without diſtinction, which we have already explained.

The ſecond, a tithe upon every income whatſoever, even upon the profits of labor, ſervants wages, employments, poſſeſſions, and trades of all denominations.

The third, was a modification of the *gabelle*, or the duty upon ſalt.

The fourth, which he calls the fixed revenue, was to be compoſed of the domain, and ſeveral other branches of taxes which he allowed to ſubſiſt, judging them, I ſuppoſe, not hurtful to the ſtate.

I ſhall now ſhow wherein the Maréchal's plan of taxation is contrary to principles, and leave the reader to make his concluſions.

Firſt, he has declared in many places, that his intention was only to impoſe a tax upon the income of land, which he underſtands to be that part which remains after the deduction of all expenſes of cultivation &c. in other words, what every one underſtands by land-rent, and which, no doubt, is the only proper object of taxation: but in order to impoſe upon this part his royal dixme when at the real tenth, he taxes the tenth part of the whole produce, inſtead of the tenth part of what goes for the rent; and as far as I have been able to diſcover, he never perceives that there is the greateſt difference between theſe two quantities.

The ſecond article was the tithe of every income, not conſiſting of the fruits of the earth.

Where an income ariſes from a branch of property which can render it determinate, I ſhall form no objection to a tithe or two ſhillings in the pound upon it. But when he comes to tax lawyers, attor-

neys, phyſicians, &c. according to the value of their emoluments, I own I cannot find a poſſibility of preventing abuſe in the collection, or inequality in the impoſition of the tax.

The Maréchal's principal point in view was agreeable to the ſtanding maxim in France, to make every one contribute according to his income. Very right, ſo far as it is poſſible, without implying much greater inconveniences than what can be compenſated by this imaginary equality. I call it imaginary, becauſe in the execution it will be found, that no body will really pay what they ought, except thoſe whoſe income cannot be concealed. Whenever any part can be hid, there muſt, in my opinion, reſult a great inequality, and great oppreſſion, in endeavouring to aſcertain it.

A ſhort obſervation will ſuffice to give a view of his notions with regard to merchants and trade in general. His intention was to be very indulgent to this claſs of inhabitants; and he feels all the advantages of trade. He propoſes, however, to proſcribe all notes of hand payable to bearer, as it is a method of concealing wealth and exacting intereſt for money; which he ſuppoſes to be contrary to ſcripture. Trade would be ill carried on with the Maréchal's reſtrictions.

When he comes to the lower claſſes, which he ſuppoſes to comprehend one half of the people, to wit, all tradeſmen, manufacturers, and day-laborers, their wives and children; he takes the example of a weaver, as a middle term, to judge of the gains of the tradeſmen and manufacturers.

He ſuppoſes this weaver to have a wife and family, to work 180 days only (becauſe of the many holidays, as well as accidental avocations) at 10 1/2 *d.* ſterling a day. This makes his year's labor worth 7 *l.* 17 *s.* 5 *d.* ſterling. Of this he takes 10 *s.* 10 1/2 d. for the greateſt tithe. Beſides this, he exacts of him for his ſalt-tax, for four perſons in his family, 12 *s.* 9 *d.* So that this man, whoſe whole labor is only worth 7 *l.* 17 *s.* 5 *d.* ſterling, is to pay 1 *l.* 3 *s.* 7 1/2 *d.* of cumulative taxes out of it. which is above 1/7 of the whole fund of his poor ſubſiſtence: after which he adds, "This in my opinion, is a tax high enough "for a weaver, who has only his two hands to "gain his bread with, and who has houſe rent, "meat and clothes to provide for a family, who "frequently can gain very little for themſelves." To this I muſt agree.

I ſhall give one ſpecimen more of what the Maréchal conſidered as an eaſe procured to day-laborers, in their then ſituation; which relief, however, they have not hitherto obtained.

Theſe he alſo ſuppoſes to work 1890 days in the year, at not quite 8 3/4 *d.* ſterling. He values his year's labor at 6 *l.* 10 *s.* 6 *d.* ſterling, and here is the employment of this ſum according to the plan.

	£		
He is to pay for tithe of his *induſtrie*	0	8	8 1/2
For his ſalt-tax	0	12	9
For five Engliſh quarters of rye	4	7	1
For clothes to the family, utenſils, and repairs	1	1	11 1/2
	6	10	6

I have been the more particular upon this part of the plan, becauſe it gives us a notion of what the Maréchal thought a moderate eaſy tax laid upon 8 ooo ooo of inhabitants, to wit, 2 ooo ooo men and 6 ooo ooo women and children, according to his calculation.

I come next to the tax he propoſed to lay upon ſalt, of which mention has been made.

This tax is of the nature of an exciſe, and is called the *gabelle*, which we have explained already in a note; and the objections to it, as the Maréchal has propoſed them, are no leſs than three very material ones.

Firſt, the proportion of the duty is far too great, conſidering the value of the commodity. The ſecond is, that being impoſed upon an article of ſubſiſtence, it operates immediately on the price of the ſalt, and only conſequentially on the price of labor. This is no great objection, were the proportion moderate; becauſe inſenſibly the price of labor would riſe, were the tax generally and exactly levied in proportion to the conſumption: but this was not the caſe; and this circumſtance opens the laſt objection, and the greateſt of all, to wit, that the tax, proportional in its nature, is rendered cumulative, by being raiſed at the end of the year, in order to oblige every one to conſume the ſalt required.

Now by this mode of levying the tax it loſes every advantage, and becomes an addition to the tithe laid upon the induſtry of the conſumer. If every man in England were to be rated at the end of the year, in proportion to the exciſe of as much

beer as he may reaſonably be ſuppoſed to conſume, would that be an exciſe? certainly not. It would be a poll-tax to all intents and purpoſes, which no man could draw back.

I have little or nothing to object to the fourth article of the Maréchal's plan. He propoſed no eſſential change, either as to the impoſition, or method of levying the taxes which compoſed it. The principal heads of them are,

1*mo*, The royal domain, or the king's landed eſtate, together with all caſualties attached to royalty, or feudal ſuperiority; ſtamp-duties, and the *contrôle* of public acts by notaries.

2*do*, The cuſtoms upon importation and exportation.

3*tio*, Certain taxes of the purely proportional kind; among which was one upon tobacco, and one upon liquors drank in public houſes in the country. Here entire liberty is left to the conſumers; and the taxes are principally calculated to affect, or, as he calls it, to puniſh luxury, intemperance, and vanity. With this view, he wittily propoſes an impoſition upon large and ridiculous wigs, at that time much in faſhion, and upon ſeveral other articles of extravagance.

This is a ſhort ſketch of the Maréchal's ſyſtem of *royal tithe*, conſidered as to the principles only, upon which the ſeveral taxes were intended to be impoſed. The treatiſe contains ſeveral admirable things; eſpecially with regard to recapitulations of inhabitants, lands, houſes, animals, &c. highly deſerving the

attention of the ſtateſman, who intends to execute any plan for national improvement.

I ſhall now ſet before the reader the Maréchal's calculation, as to the amount of the four articles, when at the loweſt, and at the higheſt taxation.

When the tithe is underſtood to mean the 20th part of the fruits, &c.

	Livres.
I. The tithe of all the lands - - -	60 000 000
II. The tithe of all revenue and induſtry -	15 422 500
III. The ſalt-tax at eighteen livres the *minot* *	23 400 000
IV. The fixed revenue - - - -	18 000 000
Total of the four articles, when at the loweſt taxation - - - - - -	116 822 500
When the tithe is underſtood to mean the tenth part of the fruits, the two firſt articles are juſt double of what they are ſtated at above, viz.	150 845 000
The ſalt-tax at thirty livres the minot -	39 000 000
The fixt revenue never changes, and ſtands always at - - - - - -	18 000 000
Total of the four articles, when at the higheſt taxation - - - - - -	207 845 000

* The *minot* is a meaſure of capacity equal to three Paris buſhels, or the fourth part of a ſeptier; which is about one half of an Engliſh quarter. This makes the *minot* to be about an Engliſh buſhel. The Maréchal propoſed that this quantity, when at the loweſt price, ſhould be ſold for 18 livres, or 1 *l.* 6 *s.* 1 1/2 *d.* ſterling; and when at the higheſt, at 30 livres, 2 *l.* 3 *s.* 6 1/2 *d.* from which we may judge of the exorbitancy of the gabelle, even after all the diminution he thought proper to make upon it. The French money mentioned in the Maréchal's Dixme royale, is here converted into 52 1/4 *d.* ſterling, for the French crown of three livres: becauſe the ſilver coin in France, at the time he wrote, was 30 livres 19 ſols the marc (Dutot, chap. 1. art. 6); and at preſent it is at 49 livres 16 ſols.

In impoſing this tax upon the fruits, he allowed no exemptions, not even in favor of the princes of the blood: for this he gave an excellent reaſon. Tithes, ſaid he, were the ancient patrimony of kings. The Roman emperors and kings of France enjoyed them. From thoſe duties no noble was exempted. This appears from the eccleſiaſtical tithe, which, he alledged, to be nothing but the royal patrimony, alienated in favor of the church; conſequently, there is nothing derogatory in paying the tithe, although nothing be more ſo than paying the taille. So great is the difference between terms, when the ideas of a nation are connected with them!

CHAP. XII.

Miſcellaneous Queſtions relating to Taxes.

THE ſubjects of credit, debts, and taxes, have been ſo extenſively treated of in the two laſt books, that I hope no queſtion I now can propoſe will ſerve for any purpoſe, but to ſuggeſt the ſolution of it, ſo far as it comes under the principles we have been deducing.

QUEST. I. What is the moſt proper method for impoſing a land tax?

I anſwer, that according to equity and juſtice, all impoſitions whatſoever ought to fall equally and proportionally on every one, according to his ſuperfluity; but in land-taxes this equality is not ſo eſſential as in moſt others. The great hurt ariſing

from inequality in taxation proceeds from the inequality occaſioned thereby in the competition between the claſſes of the induſtrious. When the ſame tax affects people of the ſame claſs differently, thoſe who bear the heavieſt load gain leſs, though their induſtry be equal. But in land-taxes the caſe is different: the tax there only diminiſhes an income already made, and in fact diminiſhes the value of the property; ſo that were land-taxes made perpetual deductions, the whole loſs of the tax would fall at once upon the actual poſſeſſors at the time it is impoſed. Every ſubſequent purchaſer, by deducting the land-tax out of the rent, would calculate the value of the remainder only; and the conſequence of the tax would be, virtually, to transfer a part of the land-property to the ſtate.

The conſequences of ſuch a change upon property may produce a variety of new combinations. The ſtate may then ſell this portion of their property; they may with the price received pay off part of their debts; they may acquire certain diſtricts of the country, where, being both ſovereign and proprietor, they may aboliſh taxes, which would then in a great meaſure affect themſelves only, and eſtabliſh manufactures for foreign exportation.

Although an abſolute equality in this tax is not ſo very requiſite, ſtill the inequality to be aſcertained, and every income intended to be affected by the tax ſhould be ſpecified in one way or other. For this purpoſe, the beſt method ſeems to be, to make the regulation of any one year a rule for the ſubſequent years, until it be judged proper to make a new

general valuation of every part. This is a conſequence of what has been ſaid: a fluctuating annual valuation, which is the caſe in France, produces numberleſs inconveniences; and upon the whole, they are far greater than thoſe which it is intended to avoid.

I agree that the ſame land may be worth more one year than another; but it is impoſſible by a fluctuating valuation to aſcertain that difference over a whole country, to the ſatisfaction of every one; and although, by fixing it at one rate upon every poſſeſſion, inequalities muſt take place, yet fixing it from riſing in proportion to improvement, will prove an encouragement to induſtry, which will greatly overbalance ſuch an inequality. Every one then will be in the way of acquiring an addition to his income, free of land-tax; and if this be thought too great an encouragement to improvement, let the regulation be only fixed for a determinate time; ſuppoſe a century. This is no more than giving every one a leaſe as it were of their land-tax for a hundred years; and experience ſhows, that without granting long leaſes it is impoſſible that lands ſhould ever be improved.

Were innovations practicable, according as right reaſon and plain principles direct, it is very certain that a land-tax might be impoſed in a better way than I have here ſuggeſted. But to what purpoſe would it be to lay down ſchemes beyond the power of execution, when the principles already deduced ſo plainly point them out?

QUEST. 2. Which is the beſt method of levying

taxes; by farm, or by the management of commiſſioners appointed by the ſtate?

The beſt way to anſwer this queſtion, is to ſhow the inconveniences and advantages of both. The arguments againſt farming are,

1*mo*, The great fortunes made by the farmers occaſion jealouſy, and expoſe to the eyes of the people a ſet of men who are become rich at their expenſe; hence envy ariſes, and hatred againſt government.

2*do*, In years of ſcarcity, war, or public calamity, deductions of the rent, or annual ſums paid by the farmers, are demanded, and can hardly be refuſed, and the farmers always overvalue their loſs; here therefore is an unequal bargain: the farmer *muſt* gain, the ſtate *may* loſe.

3*tio*, The people pay leſs willingly to the farmers than to the King; magiſtrates in general ſupport the raiſing of duties with more unwillingneſs, and ſeverities upon delinquents are leſs eaſily born.

Theſe inconveniencies are avoided in the management. There men of the beſt abilities may be intruſted with that employment; experience ſhows that many branches of taxation have been carried to great perfection under management, and men of probity and capacity will act with as great zeal for the public as for themſelves.

The principal arguments for farming are; the advantage of having a fixed and certain revenue to depend on at regular terms; that the farmers act with more zeal for themſelves, and with greater impartiality in employing under-officers, as well as

more frugality, and therefore can afford to give a higher rent, with conſiderable profit to themſelves, than can be made effectual under the beſt management: beſides, every one judges himſelf capable to adminiſter the King's affairs, becauſe he finds profit in it; but people think twice before they undertake to be farmers of a revenue they do not well underſtand.

In the adminiſtration of taxes, it ought to be the object of a ſtateſman's attention and care to profit of every advantage attending the different modes of levying them. It is not ſufficient to inquire into the general conſequences of the two modes of adminiſtration, the management and the farming of taxes: thoſe of the cumulative kind eſpecially, affecting the lower claſſes, would be very improper objects of a farm; becauſe it would be in a manner delivering over the greater part of a people to the rapacity of tax-gatherers.

On the other hand, the farming of proportional taxes is not liable to ſo many inconveniencies. The farmers there are principally employed in watching over thoſe who *advance* the taxes, and who are themſelves, as has been ſaid, in reality the tax-gatherers over the people.

When therefore circumſtances permit, without inconvenience, the fabrication of exciſeable goods to be incorporated with the farm, this of all others is the beſt method of levying taxes. Examples of this are familiar almoſt every where. The farmers of the ſalt and of the tobacco in France are in this ſituation. In retailing thoſe commodities, they

collect the price they pay for the compoſition; that is, for the farm of them. It is not the ſame of the aids in France. There the farmer ſuperintends the immediate tax-gatherer, to wit, the retailer of ſpirituous liquors, or of other things ſubject to the tax. The circumſcribing the number of places where exciſeable commodities are fabricated, and the ſhutting them up within incloſures, would greatly facilitate the levying of all exciſes, whether by farm or by management.

In order therefore to decide whether the preference ought to be given to the management or to the farm, circumſtances are to be weighed. When a tax is new, or has been ill managed, or has fallen, without any viſible cauſe, below what it formerly produced, or ought to have done; when the amount is unknown, by being of an extenſive collection: in ſuch caſes, ſhort farms, and even ſeveral ſubdiviſions of them in a country, may be of uſe. But when a tax is well underſtood, and a good plan of levying it laid down, it may be well raiſed, and perhaps better improved, under a management; as alſo, when it is of a nature to be eaſily underſtood, and when the very exerciſe of levying it points out all the frauds poſſible to be committed.

Davenant, who well underſtood this queſtion, in his 4th Diſcourſe upon revenues, recommends farms which are not *abſolute*, but *limited*, as the beſt. By limited, he underſtands, that the farm ſhould firſt be given for a fixed ſum; that the farmers ſhould carry on an open adminiſtration, liable to the government's inſpection in every particular;

that in caſe the profits of the farm ſhould exceed the rent ſtipulated, a certain ſum ſhould be aſcertained for the charge of management, and the ſurplus ſhould belong to the King, allowing a certain poundage to the farmers to animate their diligence.*

He very juſtly obſerves, that a tax, when farmed, in order to be improved, will naturally draw, at firſt, a leſs rent than the ſum liquidated as a free profit by the former management; becauſe the farmers will be willing to ſecure to themſelves a good profit; and next, becauſe they will be obliged to make a conſiderable advance, as a ſecurity for fulfilling their engagement, which muſt alſo be conſidered as a deduction out of the produce of the tax.

All the advantage therefore in farming muſt be looked for after the expiration of the leaſe; for which reaſon, the ſhorter the term is, the better: three years, it ſeems, was the common term in England, in Davenant's time.

All new impoſed taxes ought to be raiſed with the greateſt lenity, not to revolt the minds of the people: the firſt year's deficiency is well beſtowed, if government can but diſcover the different ways which may be fallen upon to defraud the tax, and form a good judgment how far the amount of it may go in time, when the management is brought to perfection. As long therefore as a management continues to improve a tax newly laid on, I ſhould not think of farming it: but when, either from the extent

* This plan of Davenant's was carried into execution in France by Monſieur Silhouette, in 1759.

of the impoſition, or the nature of it, frauds begin to multiply, and management begins to become more and more difficult, then is the time immediately to put it into farm, either for different diſtricts of a country, or in ſub-farms. If this be delayed, frauds will daily increaſe; and the difficulty of preventing them will carry government to the expedient of impoſing penalties, ſevere in proportion to the frequency of the crime. Commiſſioners will conſtantly put theſe in execution with reluctance; the management will become ſlack; or if penalties are rigorouſly exacted, they will become a handle for oppreſſion; and even though juſtice be done, and none but delinquents be puniſhed, yet ſtill the people will be ill affected with the puniſhment of an action which in itſelf they are too apt not to conſider as a crime: whereas in farming, frauds will be prevented by vigilance more than by fear of puniſhment; and this is by far the better expedient. Thus inſtead of feuds daily increaſing, they will daily diminiſh, and the tax will improve yearly.

Here Davenant well obſerves, that *nothing but divine wiſdom can at firſt create perfect order; but in all human affairs it muſt be the work of time, and the reſult of much labor and application.*

One good reaſon for managing a tax before it be farmed, is to learn the nature of it, and of the frauds it is liable to. When theſe are not rightly known, the farmer can more eaſily ſurpriſe the government, and obtain from it new regulations, under the pretext of preventing frauds; which regulations they may abuſe, and turn to other purpoſes than thoſe intended.

Davenant

Davenant has a very good remark, p. 154. That a new tax, impoſed upon conſumption, and ill levied, equally raiſes the price upon the conſumers, and the whole profit centres in the hands of thoſe who retail. That when an old exciſe becomes ill levied, the profit is divided between the inferior officers (who collect it) and the retailers. The reaſon is, that a branch which is well underſtood, is not ſo liable to *frauds* as to *colluſion*. This ſhows that in every caſe, ſuch a duty ſhould never be impoſed without exerting every endeavour to have it rightly collected. The ſtate ſhould alſo keep a watchful eye upon the augmentations made in the price of exciſeable commodities, in order to keep the augmentation juſtly proportioned to the duty. If this be neglected, the overcharge hurts conſumption, diminiſhes the produce of the tax, and enriches the retailers only. Here competition is neceſſary to be introduced: the public may even erect a manufacture which may regulate prices, and ſo ſoon as they are properly aſcertained, the ſelling price may be fixed by an aſſize.

An ill levied impoſition is attended with this additional inconvenience, that it eſtabliſhes, inequality among the induſtrious of the ſame claſs; conſequently, an unequal competition. This happens when particular officers are diligent and exact in doing their duty, while others are remiſs. The profits of retailers are *high* in proportion to the *negligence* of the officers of the revenue; and their extraordinary profits, enable them to underſell and to ruin thoſe who are exactly looked after: the conſequence of

this is, to diminiſh the number of retailers; to introduce hurtful monopolies; and in general, to hurt the whole branch of the manufacture. All remiſſneſs, therefore, in collecting an exciſe, draws along with it a prejudice to the Prince and his people: and the relative profit, which balances this loſs, falls into the pockets of the fraudulent manufacturer, and the corrupt and negligent collector. This is not all: the deficiency muſt be made up in another way; for taxes muſt produce the ſums wanted. Thus the remiſſneſs in collection occaſions a new additional burden to be laid on the people.

Quest. 3. What is meant by *income*, when applied to individuals, and to a ſtate, and what is the nature of the *expenſe* which muſt diminiſh it, when it is conſidered as the object of taxation?

The great intricacy of this queſtion proceeds from hence, that what is really an expenſe to one is the income of the other: ſo that without applying our reaſoning to every particular fact, no general explanation can be rendered intelligible. My reaſon for propoſing it in this place, is, that in commenting upon ſome paſſages of Davenant, in his diſcourſes upon the revenues of England, I may have an opportunity of illuſtrating ſome things which have been already examined.

Davenant was an admirable writer; he had a remarkable genius for political theory, and his ſentiments upon many things are very generally adopted. My intention here is not to refute opinions, but to avail myſelf of his combinations, in order to explain my own ideas.

In his firſt diſcourſe upon revenues, we find the following paſſage.

" The number of the people leads us to know " what the yearly *income* may be from land, and " what from mines, houſes, and homeſteads, " rivers, lakes, meers, ponds, and what from " trade, labor, induſtry, arts and ſciences: for " where a nation contains ſo many acres of arable " land, ſo many of paſture and meadow, ſuch a " quantity of wood and coppices, foreſts, parks " and commons, heaths, moors, mountains, roads, " ways, and barren and waſte land; and where " the different value of this is computed, by proper " mediums, it is rational to conclude, that ſuch a " part of the people's expenſe is maintained from " land, &c. and ſuch a part from mines, houſes, " &c. and that ſuch a part is maintained from trade, " labor, &c. and the poor exceeding ſo much the " rich in numbers, the common people are the " proper medium by which we may judge of this " expenſe.

" There is a certain ſum requiſite to every one " for food, raiment, and other neceſſaries, as for " example, between 7 and 8 *l. per annum*; but " ſome expending leſs, and ſome more, it may " not be improper to compute, that the maſs of " mankind, in England, expend, one with another, " near 8 *l. per annum*: from whence it may be " concluded, that an *annual income of ſo many* " *millions* is needful for the nouriſhment of ſuch " and ſuch a number of people."

The reaſoning here takes a wrong turn. It is of

no conſequence to compute the value of things conſumed without alienation. It is of no uſe to know that the value of the phyſical-neceſſary of an Engliſhman is 8 *l.* a year; becauſe if this ſum is ſuppoſed to be an exact quantity of income, not one farthing of tax can be impoſed upon it. So that impoſing, for example, 5 *per cent.* upon this article would only be raiſing the phyſical-neceſſary to 8 *l.* 8 *s.* which 8 *s.* muſt be paid, not by the phyſical-neceſſarian, but by ſome body having ſuperfluity who employs him: and if there was not ſuperfluity enough in England to anſwer to 8 *s.* a head, ſuch a tax could not be levied.

He afterwards ſuppoſes that the income of this claſs may amount to about twenty millions a year, which at 8 *l.* each, anſwers to two millions and a half of people. He ſtates the income of lands at fourteen millions, and the income of trade at ten millions, in all at forty-four millions a year: and hence he concludes, that taxes ought to be impoſed in ſome proportion to this total.

Now if he ſuppoſes the firſt article of twenty millions, ariſing from the income of thoſe who are employed in arts and manufactures, according to the former calculation of 8 *l.* a head, to be as ready a fund for taxation as the land-rents, we muſt examine, by the principles we have deduced, whether there by any ground for ſuch a ſuppoſition.

Let me ſuppoſe one of this great claſs to work a whole day for his victuals only. Here is an alienation of work for food. It is impoſſible, however, to raiſe a tax in money upon this alienation; becauſe

it may eaſily be ſuppoſed that neither party has a farthing. The only method therefore, in ſuch a caſe, to impoſe a tax, would be, either to oblige the workman to ſet apart a portion of his day's work for one who would pay the public for the value of it, or to oblige the perſon who gives him his food, to pay the public for the privilege of employing him in his ſervice. The one and the other are examples of proportional taxes. But this method of taxation is abſolutely unknown. In this example there is an alienation, which, I have ſaid, conſtantly implies a ſuperfluity of one kind or other. The labor of the perſon working is, here, ſuperfluous to himſelf; therefore a part of it may be applied towards the public. But the bread he receives is in no part ſuperfluous, and therefore cannot be laid under taxation *as to him.* But then the bread given for the labor is ſuperfluous to the perſon who gives it; and as this implies that he has a ſuperfluity of bread, the ſtate may demand a ſhare of that ſuperfluity.

By this expoſition of the matter it appears, that in order to raiſe a tax, in whatever way it be done, ſome kind of ſuperfluity muſt be ſuppoſed. It alſo points out how it ſhould be laid on: for if by miſtaking the proper object, a part of the *bread* ſhould be taken from the *workman*, inſtead of being taken from the *man who employs him*, the tax would affect the phyſical-neceſſary of the laborer, inſtead of affecting the ſuperfluity of the employer.

Let us next ſuppoſe a workman able to do no more than what is requiſite to dig the ground for

roots to eat, inſtead of digging it to procure bread from a man who has bread to ſpare; ſtill there will be no alienation; conſequently, no poſſibility of eſtabliſhing a tax: for if you either take a part of his labor, or of his food, you deprive him equally of his phyſical-neceſſary. Yet the work of this man and his food, may be valued at ſo much money; and thus may enter, in one ſenſe, into Davenant's general article of income or expenſe; but it does not follow that any tax can be raiſed upon ſuch an income.

To eſtimate, therefore, the total value, in any nation, of what is the object of taxation, we muſt go another way to work. The firſt article muſt be the *annual income* of all *funds*. By funds, here, I underſtand the capital wealth already made, in oppoſition to the produce of induſtry, which may be conſidered as the materials of which ſuch funds are compoſed. The fund therefore is the accumulation of ſavings, which, not having been ſpent by the induſtrious, form a capital of a nature to produce an income, either from land, or from any other valuable thing. Thus land-rents, annuities, intereſt of money, emoluments of offices, ſalaries, even wages of ſervants, in ſhort, every fixed income, I range in this firſt article, which I call *annual income*, produced from a capital already formed, either real or ſuppoſed.

This may be laid under taxation by a pound-rate, or otherwiſe, and forms that kind of tax which I call cumulative and arbitrary; becauſe a man who has any ſort of viſible revenue, comes under this

general rate, let him have ever ſo many neceſſary deductions out of it, ever ſo many debts and incumbrances. From ſuch circumſtances, cumulative taxes frequently turn out extremely burdenſome.

The ſecond object of taxation is upon alienations made for money. Whenever we come to diſpoſe of money in the purchaſe of any thing, the ſtate has an opportunity of exacting a part of it as a tax; but while it remains hid, it can neither be come at, or laid under contribution, without extortion or violence.

All branches of expenſe may be laid under taxation by exciſes, which I call *proportional taxes*; becauſe a man is never ſubjected to them, but in proportion to his expenſe; and his expenſe ought naturally to proceed from his income.

As for trade, I do not clearly ſee how the profits of it can be regularly taxed. In France, indeed, they are taxed under the firſt head, and are conſidered as income. Such an impoſition is not well judged; becauſe *there* the materials for making the fund are taxed as if they were the income of a fund already made. It is only the ſavings out of the profits upon trade, placed ſo as to produce a permanent revenue, which properly can be conſidered as a fund: the *income* therefore of theſe ſavings, and not the ſavings themſelves, ſhould come under that branch of taxation.

Cuſtoms are improperly called taxes upon trade. If ill impoſed they ſtop trade, or render it leſs profitable, by diminiſhing the demand for the

goods ſo taxed; but they take nothing from the profits already made.

In a trading nation, the great branches of commerce produce a certain determinate profit, ſubject, I allow, to augmentations and diminutions, from accidents and circumſtances impoſſible to be foreſeen: and the cuſtoms impoſed upon exportation and importation differ from exciſes more in the method of levying them than in any thing elſe.

Davenant, in my opinion, would have given a better idea of the ſum which taxes might have been ſuppoſed capable of producing in England, had he examined the amount of all the branches of revenue, and of all the ſpecies of ſale, than in the manner he has done. Theſe two points known, it would be expedient next to inquire, in what manner the ſeveral articles could be made ſubject to either cumulative, or proportional taxes.

I muſt now take notice of another paſſage of Davenant, where he explains himſelf upon the queſtion before us: it is in his fifth diſcourſe upon revenues, where he ſays,

" By annual income, we mean the whole that " ariſes in any country from land and its product, " from foreign trade, and domeſtic buſineſs, as " arts, manufactures, &c. and by annual expenſe " we underſtand what is *of neceſſity* conſumed to " clothe and feed the people, or what is *neceſſary* " for their defence in time of war, or for their " ornament in time of peace: and where the an- " nual income exceeds the expenſe there is ſuper- " lucration ariſing, which may be called wealth " or national ſtock.

" The revenue of a government is part of this " annual income, as likewiſe a part of its expenſe, " and where it bears too large a proportion with " the whole, as in France, the common people " muſt be miſerable and burdened with heavy " taxes.

I muſt comment a little upon this paſſage.

I have no objection to this expoſition of the matter; the ideas are intelligible and clear: but I object againſt the application of his doctrine to taxes; becauſe it would lead to error. Here are my reaſons:

1*mo*, Income is called the whole of the earth's productions: this I may admit to be juſt, except when we conſider income as an object of taxation. But if we retain the ſame definition to expreſs the income of one, for example, who labors the ſoil for his own ſubſiſtence, as well as of another who labors it as a trade, the difference in paying their taxes out of it will be very great. He who draws nothing from the ground but his phyſical-neceſſary, can be laid under no taxation; becauſe he has no ſuperfluity. And if he be obliged either to give a part of his crop in tax, or to ſell any part of it for money to be paid to the public, this diminiſhes his phyſical-neceſſary, and forces him to ſtarve: whereas the other who exerciſes labor as a trade, may be obliged to pay a part of his ſurplus by way of tax or rent; and ſtill his phyſical-neceſſary may remain untouched.

It is for this reaſon, that in treating of theſe matters, I am always at the greateſt pains to point

out, that nothing can be the object of taxation, except what is over and above the phyſical-neceſſary of every one.

In all countries where a *land-tax*, *ſteuer*, *taille*, or by whatever name it goes, is eſtabliſhed, care muſt be taken to prevent the huſbandmen from confining their labor to ſuch a ſmall ſpot of ground as is barely ſufficient to produce their own phyſical-neceſſary, unleſs when they have a trade to aſſiſt them in paying what the public demands of them.

From this circumſtance, and this only, it happens, that the land-tax in England is ſo little burdenſome, comparatively to what it is in many nations of Europe. Lands in England are let in large portions: no body will let a farm ſo ſmall as to be proportioned to the ſupplying of the mere phyſical wants of the farmer. But in other countries, where the economy is different, were inheritances in land are conſtantly divided, as moveables among all the children; the lots become ſo ſmall, that the proprietor can draw no more from them than his own ſubſiſtence; and then when a land-tax is impoſed, this poor little portion being valued in proportion to what it can produce, as well as the greateſt eſtate in land, the huſbandman is ſtarved, although the tax demanded of him be laid on in the exact proportion to the produce of his land, while he that has a ſurplus is quite eaſy.

I would therefore recommend, in countries where this minute ſubdiviſion of lands has taken place, that for the future none under a certain extent or value ſhould be ſuffered to be divided among the

children, but ordered to be ſold, and the price divided among them; and that the ſame regulation ſhould be obſerved upon the death of ſuch proprietors whoſe lands are not ſufficient to produce three times the phyſical-neceſſary of the laborers. This would engage a people to exerciſe agriculture as a trade, and to give over that trifling huſbandry which produces no ſurplus, and which involves ſo many poor people in the oppreſſion of land-taxes. This plan can never be recommended as a plan to be executed all at once: it muſt be done by degrees, and in proportion to the progreſs of induſtry. The principle is ſo evident, that I never found any one who did not immediately agree to the juſtneſs of my obſervation; although in impoſing land-taxes I have nowhere found it attended to *.

Here then is the uſe of theory; it directs us in practice to avoid difficulties, which might otherwiſe be judged unſurmountable.

2*do*, I farther obſerve, that it is a more hurtful error ſtill to miſtake the produce of induſtry for the taxable income ariſing from it, than to miſtake the groſs produce of land for the rent: becauſe the profits upon induſtry bear a ſmaller proportion to its produce, than the rents of lands do to their full fruits.

The beſt method of raiſing money upon the lower claſſes of the induſtrious, is rightly to lay their

* Some ſmall attention is paid to the poorer ſort of landholders in England: for, by the annual act for a land-tax, no poor perſon ſhall be liable to the pound-rate, whoſe lands, &c. are not worth 20 *s. per annum* value.

conſumption under proportional taxes, which they may eaſily draw back: becauſe they will raiſe the price of their work proportionally.

From this we may conclude, contrary to the common opinion, that the teſt of well impoſed taxes is to raiſe prices in proportion. When they are rightly impoſed, every one who ſells a commodity which has paid a tax, will draw it back, whether he be induſtrious or not. If he conſumes it, he cannot draw it back, but by raiſing the price of his work; which again he cannot do, unleſs the tax be made ſo general as to affect all his competitors; and unleſs the conſumption he has made be unavoidable to every one of them.

When we reflect upon the large quantities of exciſeable goods which are conſumed as ſuperfluities, we muſt conclude that the riſe of prices, daily complained of, proceeds more from our manners than from the taxes we pay.

3*tio*, The expenſe of a people is not merely what is ſufficient to ſubſiſt them; but what they conſume, either in fruits, or manufactures. Had indeed Davenant computed the value of this neceſſary quantity, and deducted it from the income, according to his acceptation of income, the remainder would have been a tolerable good repreſentation of what I mean by income, or taxable fund; becauſe whatever a people conſume beyond the neceſſary, I conſider as a ſuperfluity which may be laid under taxation.

4*to*, I muſt alſo differ from him in his idea concerning ſuperlucration, wealth, or national ſtock. According to him, this is the quantity of income

remaining after the following deductions: 1 *mo*, What is *neceſſary* to clothe and feed the people. 2*do*, What is *neceſſary* for their defence in time of war, and ornament in time of peace. But according to my notions, I muſt alſo deduct all that is conſumed in ſuperfluities; for what is conſumed, whether *neceſſarily* or *ſuperfluouſly*, never can make an article of ſuperlucration, wealth, or national ſtock.

The ſuperlucration then of a nation conſiſts in the augmentations made upon her ſtock of every kind, capable of producing a proportional income: it is the converting into ſomething durable the well employed time of the inhabitants. In this ſenſe the new pavement of London, the roads, buildings, ſhips, &c. in England, are all articles of ſuperlucration, as well as the improvement of the lands, and conſolidation of the balance of her trade, which has created that part of the public funds belonging to natives.

QUEST. 4. Is it poſſible to convert a land-tax into one of the proportional kind?

This is a curious ſpeculation; and as it is a ſhort exercice upon ſeveral principles of this ſcience, it comes in properly at the concluſion of our work.

To make a land-tax proportional, the proprietors of land ſhould be enabled to draw back the burden, in the ſale of the earth's productions. This they cannot do, as matters ſtand. The farmers who pay no land-tax underſell them; becauſe they have no tax to draw back.

Since the tax, therefore, cannot be drawn back directly, let us apply our principles to diſcover a method how this might be done indirectly.

Let nothing but lands be ſubject to this impoſition.

Let every part of them be valued, and recorded in a general regiſter.

Let bread, butchers-meat, and ſubſiſtence of all kinds, be laid under an exciſe, *in all markets*, and nowhere elſe, at a rate ſufficient to raiſe the tax intended to be laid upon the lands; and let the amount of this tax be drawn back by the landlords, in proportion to the valuation by which they have paid the land-tax.

That this is a reaſonable impoſition, appears from the whole plan of this work. We have ſeen, in the firſt book, how the great body of the people is divided into laborers and free hands; that the free hands are the inhabitants of towns, who go to market for ſubſiſtence, and conſume what correſponds to the land-rents; conſequently the landlords, who at preſent pay a cumulative tax, which they cannot draw back in any ſhape, are juſtly entitled to the amount of this proportional tax, laid upon the great articles which produce their land-rents, and which are conſumed by the inhabitants not employed in agriculture.

Every one who has writ concerning taxes has endeavoured to contract the object of them as much as poſſible: more, I imagine, with a view to eaſe the public than the people. I have followed another courſe. I have been for multiplying the objects of taxation as much as poſſible, and for making them more in proportion to expenſe than to property or income. But that I may conform myſelf in ſome meaſure to the ideas of thoſe who have examined the

ſame ſubject, I ſhall propoſe a tax, which would fill up the place of every other; and could it be levied, would be the beſt perhaps ever thought of.

It is a tax, at ſo much *per cent.* upon the ſale of every commodity.

CHAP. XIII.

Recapitulation of the Fourth Book.

PART. I. *Of the Intereſt of Money.*

INTROD. I INTRODUCE the ſubject of credit and debts, by giving a general idea of its extent. It comprehends the method of eſtabliſhing a ſolid ſecurity for money borrowed; of extending the object of ſuch ſecurity in proportion to circumſtances; of ſupporting the credit of the borrowers, when overſtretched; and of preventing, as far as poſſible, the fatal conſequences of a bankruptcy, when it can be no longer ſupported.

I ſhow how all myſteries relating to credit proceed from our ignorance only of its true nature; which is confidence eſtabliſhed upon a viſible and palpable fund of payment. I obſerve how delicate a thing credit is, and how gently it muſt be dealt with; how incompatible the forms of common law are with the diſcuſſion of queſtions which ariſe between merchants; how neceſſary it is to form a juriſprudence peculiar to trade, and to ſupport it by manners more than by authority; and when credit is once ſet upon

its true baſis, how all aerial ſchemes, bubbles, and public bankruptcies will be avoided.

Chap. I. Here I ſhow how impoſſible it is to eſtabliſh credit by authority; how inſeparably it is connected with liberty and independence; and ſtill how compatible it may be with that ſupreme power which is veſted in every government.

Chap. II. The object of credit is money lent; the baſis of loan is the payment of intereſt. If money be wanting, credit will die; conſequently, there muſt be a method found for augmenting and diminiſhing the quantity of money in proportion to the demand for it. It is augmented, by converting land into paper-money; it is diminiſhed, by relieving the land of the engagement upon it, and extinguiſhing the paper-money. This is no more than a contrivance for turning into a *circulating value*, which is the principal characteriſtic of *money*, the obligations of private men, which in all countries are conſidered to be of an equal value with any coin.

I here explain what is meant by money *ſtagnated*, and by money *realized*. Money, while it is employed in circulation, can carry no intereſt; the moment it lies idle to one man, were it but for a day, it may be worth intereſt to another, who willingly pays for the uſe of it, when he has occaſion either to buy what he wants, or to pay what he owes. If no body be found who wants it, then it is ſaid to *ſtagnate* in the hands of the proprietors. This denotes that circulation is full. He therefore deſires to *realize* it; that is, to purchaſe with it ſome kind of income. For this purpoſe, if it be coin, he ſends it to ſome

place

place where coin is wanted. If it be paper, he demands of the debtor in the paper either to give him an intereſt for it, or to convert it into coin, which is the money of the world. Both are called realizing; and in proportion as money is realized, circulation diminiſhes.

Hence I conclude, that as the uſe of circulating money is to carry on alienation, ſo the uſe of ſtagnated money is to produce an intereſt; conſequently, a perpetual intereſt is better than money, when it is not wanted for the uſe of circulation. If therefore, by the policy of a country, the capital of every perpetual intereſt can be immediately converted into money for the uſe of circulation, the inconvenience of capitals not demandable is removed; becauſe although you cannot make the debtor pay, you can ſell what he owes you to another, who will; and this equally ſuits your convenience.

CHAP. III. The ſimplicity of manners among the primitive chriſtians, circumſcribing very much the uſes for money in circulation, a great quantity of the coin was conſequently locked up. Paper money *then* was ſuperfluous; becauſe even coin itſelf ſo far exceeded all the uſes of their circulation, that it was conſidered in the light of jewels and plate with us.

Taking intereſt for it, when lent, appeared to them as unreaſonable, as if a lady, in theſe times, were to aſk a price for lending her jewels to a friend.

However, as money was neceſſary on many occaſions to thoſe who had none locked up, the Jews, who have always deſpiſed land-property, made a trade of lending; and this drew an odium upon

the practice. I can aſcribe it to no other cauſe. Our manners are totally changed; and Chriſtians lend money at intereſt as well as Jews. Neither trade, induſtry, or credit, can ſubſiſt without it; and as money cannot be lent, without allowing intereſt to be taken, intereſt is become the baſis of the whole ſyſtem of credit, and comes to be examined in the following chapters.

Chap. IV. Before induſtry was eſtabliſhed, the calls for money to borrow were few, and chiefly confined to Princes in time of war, and prodigal proprietors of land in time of peace. Their demands were urgent, and the intereſt they paid was in proportion. The lenders poſſeſſed but a ſmall part of the coin of the country; becauſe the bulk of the people locked up all they could. Thoſe who hoarded, would not lend; and this greatly diminiſhed the fund of borrowing: beſides, Princes and prodigals had no ſooner ſpent the money borrowed, than it fell again into the hands of thoſe who hoarded; and the lenders found, no doubt, great difficulties in procuring freſh ſupplies.

When induſtry and trade brought money out of its repoſitories, when the neceſſity of permitting intereſt appeared evident to the church, the coin then began to make its appearance, and was ready to be lent. This opened a market for money. The price of money is the rate of intereſt. At this market, the borrowers and lenders appear in competition among themſelves, according to circumſtances. If more money is demanded to be borrowed than is offered to be lent, the competition takes place among the

borrowers, and intereſt riſes. If more is offered to be lent than is demanded to be borrowed, intereſt falls. Thoſe who borrow money may be divided into two claſſes, viz. thoſe who intend to ſpend it, and thoſe who intend to trade with it.

When more money is to be lent than the firſt claſs demands, the rate of intereſt will be regulated by what merchants *can* give for it: when there is leſs, it will riſe to what the prodigals *will* give for it.

But this firſt claſs muſt have good credit, or their borrowing will be cut off. When therefore a ſtateſman finds, that the borrowing of ſuch people hurts the commercial intereſt of his country, by keeping intereſt high, he ſhould weaken their credit, by tying up their lands by entails. When their borrowing becomes neceſſary for the encouragement of induſtry, and for bringing all the money there is into circulation, then their credit ſhould be enlarged, by promoting an expeditious ſale of every branch of their property.

CHAP. V. Thus, without the aid of law, the intereſt of money is regulated by demand. But a ſtate muſt not totally overlook the intereſt of the claſs who ſpend more than their incomes. It would be inhuman to throw them into the jaws of uſurers. Statutes therefore prevent intereſt from riſing above a certain rate. This preſerves them, and renders the diſſipation of their fortunes more gradual.

But although a ſtateſman has it in his power to guard his people againſt the oppreſſion of uſury, by preventing the rate of money from riſing above the ordinary ſtandard of demand, he cannot

equally, force it down below this ſtandard, even although the intereſts of trade ſhould require it: becauſe if the monied men can lend their capitals abroad, at a higher intereſt than they can procure for them at home, they will diſtreſs the landed intereſt, by demanding what they owe, and all the money will be ſent abroad, as was the caſe in Scotland in 1762.

This was not the caſe a hundred years ago. No money then could be lent abroad by Engliſhmen; becauſe thoſe who would give high intereſt had no credit. Thus government could bring it down at will; monied men were forced to conſent; and the price of land roſe in proportion as intereſt fell.

As it is the extravagance of men of property which raiſes the rate of money above what is conſiſtent with the intereſt of trade, the expedients to bring it down, are, 1. To circumſcribe borrowing by the prodigal: 2. To ſuſpend borrowing by the ſtate: and 3. To throw as much public money as poſſible into the market, by paying off debts. When a ſtateſman has by ſuch meaſures brought the rate of money conſiderably below the legal price, he may, by a new ſtatute, prevent its riſing again ſo high as formerly; but ſtill he muſt keep in his eye the rate of money, and ſtate of credit in rival nations, in order to avoid the inconveniences already mentioned.

Chap. VI. If Great Britain were to regulate the rate of money below what the fluctuations of demand are commonly found to carry it, then in time of war,

as ſoon as demand, which can be ſubject to no ſtatute, got up to the high ſtandard, the whole landed intereſt would be torn to pieces by their creditors: for the debtors could not borrow from one to pay another, becauſe no man would give them credit. This would put an end to all their expenſe; the funds which ſupply it at preſent (the land-rents) would be carried off by creditors; and all the induſtrious who ſerve ſuch proprietors of land would ſuffer conſiderably for want of employment. The concluſion which the generality of people would draw from this phenomenon would be that high intereſt, inſtead of being hurtful, is advantageous to trade.

CHAP. VII. Hence we may conclude, that low intereſt is principally advantageous for carrying on foreign commerce, and that the beſt method to keep it low, is to keep circulation full, by facilitating the melting down of property.

This expedient has been contrived by merchants in the eſtabliſhment of banks upon mortgage; and there is a poſſibility that landed men, ſome centuries hence, may find out that they may imitate the example of traders, and contrive the means of borrowing cheaper than they can do at preſent.

Were a particular nation to carry ſuch expedients into execution with ſucceſs, it would have the effect of bringing down the rate of money every where. This would ſink the general average of the whole, but never would prevent the operation of thoſe principles by which it had been brought down; and the moſt intelligent nations would ſtill

have the ſame advantages as before, of keeping their intereſt low relatively to their neighbours, which is the great *deſideratum* for the ſupport of public credit, as well as of foreign trade.

Chap. VIII. But although it is of very great advantage to trade to have intereſt low, we cannot judge of the proſperity of trade from this circumſtance alone.

That nation gains the moſt upon her trade who draws the greateſt balance from the reſt of the world. Now the balance cannot be judged of by the rate of intereſt; becauſe this depends more upon manners and policy than upon the ſtate of induſtry. Induſtry muſt be ſupported by ſuperior dexterity, natural advantages, and promptitude of payments, as well as by low intereſt. Prompt payment alone, is of more conſequence to the induſtrious populace, than a ſmall difference upon the rate of intereſt. That encourages the whole claſs of manufacturers. Low intereſt is principally an advantage to the merchants who are obliged to employ credit for collecting their work; and merchants themſelves who trade upon credit, often gain more by quick returns than what will compenſate a conſiderable difference in the rate of intereſt. Low intereſt may more properly be called the barometer of public credit than of foreign commerce.

Chap. IX. From what has been ſaid, I conclude, that the rate of intereſt does not ſink as wealth increaſes; becauſe it is influenced by many circumſtances, which do not depend upon opulence. It depends upon the ſpirit and manners of a people, and will fluctuate with them.

PART II. *Of Banks.*

CHAP. I. HAVING deduced the principles which regulate the rate of intereſt, I proceed to inveſtigate thoſe which influence domeſtic circulation; and as banks are the great engine by which circulation is carried on, in tracing the nature of banks we ſhalll fully underſtand its policy and principles.

Banks either circulate notes, or transfer credit written in their books; the firſt are called banks of circulation; the latter banks of depoſit.

All banks are founded on credit, and according to the nature of their inſtitution, I may divide the credit they are built on into three kinds, viz. private, mercantile, and public.

Private credit is when the ground of confidence is real property, pledged for the ſecurity of the loan.

Mercantile credit is when the cauſe of confidence is in the trading ſtock, abilities, integrity, and good fortune of the perſon who obtains it.

Public credit every one underſtands. It is when the ground of confidence is a fund ſecured by public faith, in favor of the creditors, for the intereſt and capital due, which laſt however is never exigible from the ſtate.

Private credit is the moſt ſolid of the three; mercantile credit is the moſt precarious; and public

credit depends entirely upon the maxims of every government with regard to public faith.

It is the object of confidence, not the quality of the perſon obtaining credit, which determines the nature of the credit. A merchant may grant bond on the credit of his lands; a landed man's bill, as member of a mercantile company, may only affect his ſtock in trade, and a Prince may pledge a province for a ſum of money.

The debts of a ſtate, and the bills of merchants, are more eaſily transferred than private ſecurities.

Public and mercantile credit ſtand upon a more precarious bottom than private ſecurity. A ſuſpicion of inſolvency will ſhake the two former; real inſolvency only will deſtroy the latter.

Theſe are ſome of the peculiarities which characterize the differences between the three kinds of credit. The juſtneſs of the diſtinctions I have made appear from them, and from other circumſtances mentioned in this chapter; and the utility of ſuch diſtinctions will appear from their application as we proceed.

CHAP. II. To eſtabliſh private credit, on the moſt ſolid and extenſive bottom, the effects of debtors ſhould be rendered of a ready converſion into money; the ſale of lands ſhould be rendered eaſy and expeditious; no entails or clogs by mortgage and the like, ſhould be allowed; debts upon poſſeſſions ought to be regiſtered, and thoſe due to banks (the great public debtors) ſhould always be conſidered in a moſt favorable light.

CHAP. III. Banks of circulation upon private credit, are of great uſe in the infancy of induſtry. in countries where it is only taking root, the greateſt obſtruction it meets with is a ſcarcity of money. When money is ſcarce, payments are ill made; and when the uſes for money increaſe, if money be not made to augment in proportion, alienation will ceaſe to go on, and payments will daily be more precarious. This is ſo evident that I ſhall not inſiſt upon it.

Now as every individual in a ſtate does, leſs or more, ſupport induſtry by conſuming its produce, money muſt be provided for every one in proportion to the value of his property. This opens at once the principle of banks upon private credit.

He who has money will, every where, willingly lend to every one who can give good ſecurity for it; and the obligation granted by the borrower is conſidered by the lender as better to him than the money he lends. Before the eſtabliſhment of banks, ſuch loans were made in coin; but as people diſcovered that a good obligation was as good as coin, they diſcovered alſo, that when obligations could be made to circulate, they might ſupply its place.

For this purpoſe, banks found out an expedient of dividing obligations ſecured upon property into ſmall parts of the capital ſum; and by delivering them back to the borrower, with an obligation to pay them in coin to the bearer on demand, they conſtituted themſelves debtors to the public for every note. The conſequence of this was,

that the coin of the country became leſs uſeful in circulation; and as the banks demanded it, and even gave premiums for obtaining it, it came into their hands, and ſerved the purpoſe of changing notes; that is, of ſubdividing the ſums mentioned in them, into the loweſt denominations of the money of the country.

There is not a nation in Europe ſo ignorant as not to feel the uſe of this policy; but there are few who have diſcovered how to eſtabliſh the confidence of the public in this general debtor, the bank. The reaſon is, that people imagine a bank ſhould at all times be able to turn all their paper into coin. Were this poſſible to be done, where would be the uſe of banks? How could they multiply money?

From this ſhort expoſition, we may underſtand the difference between banks upon private, mercantile, and public credit. The firſt lend upon the ſecurity of poſſeſſions; the ſecond, upon bills of exchange, which is called diſcounting; the third, upon the ſecurity of the public funds.

Chap. IV. A ſcarcity of money only being found to ſtop the progreſs of induſtry, and thereby to circumſcribe the gains of merchants who ſupply conſumption; and they perceiving that men of property become bad cuſtomers, more from the impoſſibility of making payments than for want of an inclination to conſume, joined together, and formed a conſiderable ſtock which they expoſed to the eyes of the public. This gave them credit, and every one who had money to lend

was fond of placing it in their hands. Other people who wanted to borrow, applied to them for money. Their anſwer was, we have no coin; but if you want money for any purpoſe, we can aſſiſt you in credit, if you will give us ſecurity upon your eſtate. Here is, ſaid they, a note of ours, which any body will take from you as payment for what you want. This was the ſame thing to the man who wanted money for a particular uſe, as if they had given him coin; and as ſuch demands became frequent, the notes were printed, and inſenſibly banking was eſtabliſhed.

States perceiving the abuſe which might follow were every one allowed to iſſue paper in this manner, judged it proper to erect companies, who lent them conſiderable ſums as a ſecurity for their faith to the public; and the ſuperior credit of ſuch companies drew the confidence of the public, and circumſcribed the dealings of individuals. Thus the trade of Lombards, who had formerly ſupported circulation by their bills of exchange payable to order, received a farther extenſion by the eſtabliſhment of banks, who, by iſſuing notes payable to bearer, rendered them, in all commercial countries, every bit as uſeful as any coin.

Banks once eſtabliſhed, regulations became neceſſary; and of theſe the firſt and fundamental one, was, to iſſue no notes but upon good ſecurity. If it be aſked, what ſecurity ſhould be taken? The anſwer is, the beſt thoſe who want credit can give. In a country where trade and induſtry are little known, but where a taſte for refinement is

taking place, demand muſt be encouraged, in order to augment the ſupply. And as this demand for conſumption ſhould, naturally, come from men of landed property; the bank, therefore, ſhould firſt reſolve to iſſue notes upon the ſecurity of that kind of property.

When induſtry becomes more extended, and when trade becomes more ſecure, from the ſolidity of mercantile funds, banks may then begin to diſcount bills of exchange, and as this branch of credit enlarges, the bank will by degrees participate of the nature of thoſe ſecured upon mercantile credit.

When public credit, again, is well eſtabliſhed, they will lend upon government ſecurities, pledged in their hands, and thus become founded upon public credit.

According therefore to the principal object of their trade, they are ſaid to ſtand upon private, mercantile, or public credit.

When a proprietor of lands gives his bond to a bank, it ſhould be underſtood, that as long as he regularly pays the intereſt of the money borrowed, the bank is not to demand the capital.

For this bond they give notes, which are conſidered as ready money, and therefore carry no intereſt. So the profit of the bank is to receive intereſt for what they lend, and to pay none for what they owe.

What they owe is the paper they iſſue. They owe this to the public; and the ſecurity which the public has, is the ſecurity which the bank received from the perſon who borrowed from them.

Hence the ſolidity of banks upon mortgage. Their notes become money, and this money is ſecured upon the whole ſtock of the bank, and the whole property engaged to them.

But as the ſtock of the bank is of a determinate value, and as the notes they iſſue may very far exceed it, the credit of a bank will be precarious, unleſs the value of the ſecurities upon which they lend, be equal to all the notes in circulation. It will alſo be precarious in proportion as the ſecurities themſelves are ſo. Hence the intereſt the public has to take care that banks give credit upon nothing but the beſt ſecurity.

CHAP. V. A bank, therefore, which lays down a rule to lend upon the mortgage of ſolid property only, would deſtroy confidence, if it ſhould launch out in giving credit to thoſe who have no ſolid property to pledge.

CHAP. VI. The uſe of all banks is to ſupport domeſtic circulation: this is two-fold; that carried on by conſumers, and that carried on by traders and manufacturers, who ſupply conſumption.

The circulation carried on among the firſt is in proportion to their income, and their credit ſhould be in proportion to the funds which produce it. The circulation carried on by the laſt is in proportion to the demand for their induſtry.

If a bank be eſtabliſhed on the credit of ſolid funds, it is very plain that they cannot ſupport the circulation of manufacturers and dealers upon the ſame terms, or in the ſame way they do that of proprietors. They may indeed diſcount bills;

but they cannot give a permanent credit upon a ſecurity which is not founded upon property. This opens a new combination.

Trade and induſtry are diſperſed through many hands, and if the ſtock of thoſe who carry them on be compared with what is neceſſary for that purpoſe, it will appear very ſmall. What is deficient in ſtock muſt be made up to them in credit; and this will be in proportion to their integrity, capacity, and good fortune. A frail ſecurity for paper, which is to become the money of a nation! Such ſecurities muſt either be rejected by every bank whatever, or the whole fabric will tumble into ruin. But this ſubaltern claſs of dealers may have recourſe to merchants, whoſe wealth and funds are ſolid and extenſive. To theſe a bank may give credit, and they again, in their dealings with the other claſs, may indemnify themſelves of all the riſk they run, by profits in proportion to it.

This claſs of merchants I call *exchangers*; becauſe they deal principally by bills of exchange in the credits they give, which are of the greateſt advantage to an infant trade and a growing induſtry.

CHAP. VII. When banks were firſt eſtabliſhed, there was no money known but coin, and many there ſtill are, who do not clearly ſee how money can poſſibly be made of any thing but metal. The ſcarcity of coin raiſed the rate of intereſt, and when banks began to lend their paper, they exacted the ſame intereſt as if they had been lending coin. Hence they were obliged to promiſe payment of their notes, in coin, upon demand. In

conſequence of this, the policy of circulation proceeds upon the ſuppoſition, that bank-notes are equal to coin in every reſpect; and when any interruption happens in the ready exchanging them at the bank, all runs into confuſion. I ſhall afterwards ſhow how this might be prevented.

While a country has a balance of trade, either at par or in her favor, no body has occaſion for coin, except to reduce bank-notes to their loweſt denomination of money. But when a balance is due to other nations which muſt be paid in gold and ſilver, every one who wants coin for that purpoſe, runs to the banks, which are obliged to pay in it, and then they are thrown into diſtreſs. Hence we may conclude, that a bank taking upon itſelf the obligation of paying in coin, without carrying its policy farther than the banking trade, cannot ſtand its ground in a country which owes, upon an average, a balance to other nations. This opens a new and a moſt curious combination.

CHAP. VIII. In the mechanical operations of trade, when they are not combined upon principles, and directed by a ſuperior policy, every balance due from one nation to another upon the whole of their reciprocal payments, that is, in conſequence of their debts and expenſes abroad, as well as in the courſe of their mercantile operations, muſt be paid in the metals.

For tranſacting this balance, there is a ſet of merchants who deal in the buſineſs of exchange. Every debtor to another country is ſuppoſed to have value in his hands for it, which he converts into

bank-paper; with this he buys a bill of exchange, drawn upon the place where he is debtor, and the exchanger who ſells it, demands coin of the bank, which he ſends off for payment of his bills. If during this operation the bank ſhould ſtand with its hands acroſs, and only think of expedients to provide coin, it is evident, that if ſpecie ſhould totally fail in the country, trade muſt be at an end, and the credit of the bank would be undone: for no body will enter into every combination neceſſary to diſcover the impoſſibility of converting the whole paper currency of a nation into gold and ſilver. Thus a bank which cannot pay in coin, will be ſuppoſed to be ruined, though in reality it may be worth half the property of the ſtate.

Is it not then of great conſequence to banks, and to a nation, that the principles of their trade, and the ſecurity of their paper, ſhould be well underſtood? And is it not wonderful, that they themſelves have not made evident a thing which they muſt underſtand far better than any one who has not had their experience?

Chap. IX. When a country gentleman owes money in town, beyond what his rents can pay, does he not borrow from ſome body who has money? Does not this borrowing prevent his lands and his houſes from being torn to pieces by thoſe who have a right to demand money of him? Would he not be laughed at, if he were to delay pledging a part of his property, in order to ſecure the whole?

The caſe is juſt the ſame with banks. They owe a ſum of coin equal to all the paper they have in circulation.

In

In this they repreſent the country gentleman. Foreign nations demand payment from them in coin; becauſe it is the ſame thing whether this demand be made directly on the bank, or on thoſe who can demand it of the bank. Such nations repreſent the town. Muſt not then the bank borrow upon the credit of the ſecurities pledged at the time they iſſued their notes, and which to them repreſent the gentleman's lands? And can they borrow from any but thoſe who have money? Their own country can have none to lend, while they owe a balance; they muſt therefore borrow from other nations, and transfer what they borrow to their creditors abroad.

Hence I conclude, that as nations which have coin pay what they owe with it, and thereby diminiſh its quantity; ſo nations whoſe money is their land, muſt pay in land, to the diminution of that ſpecies of property: and as a man who owes a thouſand pounds upon his eſtate is only proprietor of it for the remaining value; in like manner, a country which pays an annual intereſt to other nations, is only proprietor of what remains.

CHAP. X. If the country gentleman, who is puſhed by his creditors for money, which he cannot expect to draw from his rents as they become due, ſhould borrow, for a few weeks, from one who, after that time, will have occaſion for his money himſelf, he will be put to all the expenſe of giving ſecurity for it, and at the end of that ſhort time, he will be at as great a loſs as ever to find money to reimburſe the man who had lent it him. This repreſents the expedient uſed by banks to obtain temporary credits,

inſtead of a permanent loan upon a regular intereſt.

Chap. XI. When trade goes on well, and produces a regular balance in favor of a country, the trade of banking is eaſy, and few employments require leſs capacity. But when the balance begins to be unfavorable, and when, in ſelf-defence, they are obliged to deal in exchange, the caſe is different.

Whatever balance is due abroad muſt be paid by the banks, as has been ſaid, either in coin or in credit. As long as they pay in coin, the buſineſs of paying the balance is left to exchangers, who conduct the operation. But whenever banks borrow abroad upon a permanent loan, and thereby acquire a fund to draw upon, the buſineſs of exchange falls naturally into their hands, and they may profit of it according to circumſtances. In this caſe, not one ſhilling of coin can go out of the country, in the way of payment; becauſe there will be a loſs to any one who ſends it away, when he can pay cheaper by a bill.

Chap. XII. But the moſt complicated combinations ariſe from the conſequences of a wrong balance on the ſtate of domeſtic circulation. I hope this matter will be more eaſily comprehended, from the ſhort recapitulation I am now to give of it, after all that has been ſaid upon the doctrine of taxes, and of the difficulty of paying them, when money is ſent abroad.

Money is the inſtrument of alienation; and when this inſtrument is taken away, alienation muſt ceaſe. Now, it is a matter of indifference as to circulation, whether money be rendered ſcarce by being ſent

out of the country by the ſtate in time of war, or by the ſubjects who owe it to ſtrangers in time of peace. A determinate quantity of money is requiſite for domeſtic circulation. In whatever way this comes to be diminiſhed, it is the duty and intereſt of banks to fill up the void as faſt as poſſible, by readily furniſhing credit at all times to thoſe who can give ſecurity for what they demand. If banks, by paying balances, ſhall have exhauſted their fund of coin, the fault is their own. Why did they not in time provide the neceſſary funds abroad? But in whatever manner they pay the balance, the conſequence is, to take a ſum of money equal to it out of domeſtic circulation; and this cannot be replaced but by more money lent by them upon new ſecurities. If an ill grounded fear ſhould at ſuch a time engage them to refuſe credit, when demanded, the country will be in a worſe ſituation than if banks had never been eſtabliſhed, from the ſudden diminution of money, which, without that eſtabliſhment, never could have happened.

But if banks would conſider the whole foreign balance as immediately their own debt (and it is ſo, when they are obliged to pay it) they would provide the eaſieſt method of acquitting it: ſince none of the expenſe incurred can fall upon them, in any proportion to the gain they make, in receiving intereſt for all they lend, and in paying none for what they owe within the ſphere of their own circulation.

CHAP. XIII. Whatever contracts circulation, hurts a bank, and offers no relief to it with reſpect to the payment of balances. If they borrow money at home,

they cut off the branch they ſtand upon, unleſs they continue at the ſame time to give credit to all who demand to borrow upon good ſecurity. This laſt combination was omitted in the chapter I am now recapitulating; becauſe of the multiplicity of thoſe I was obliged to introduce, in order to demonſtrate how hurtful it is for banks voluntarily to diminiſh the circulation of the country where they are eſtabliſhed. I ſhall therefore bring it in here, and refer to the chapter for the other combinations which cannot be abridged.

Did banks, upon mortgage, make it a rule to borrow all the money offered to them, at a ſmall deduction from the common intereſt, while at the ſame time they continued to lend as formerly to every perſon of good credit; the conſequence in a little time would be, that they would become the abſolute centre of all borrowing and lending, and the greateſt part of the expenſe of drawing ſecurities would be ſaved.

Every perſon who had money to lend, would lend it to the bank; and every one who had money to borrow, would borrow it of the bank. Upon theſe two operations, the difference of intereſt paid, and received, would more than balance the additional expenſe of ſo great a detail. But then indeed ſome new law would be neceſſary to facilitate ſecurities. The clogs laid upon ſolid property oblige the bank to inſiſt upon conditions, which put it out of the power of many perſons of good credit to borrow from them. But I do not propoſe plans: my aim is confined to principles; and from thoſe I have

mentioned a new clauſe in bank-notes would ariſe, viz. to pay in coin, or by a transfer of intereſt at a determinate rate, at the option of the bearer, not of the bank.

CHAP. XIV. This would be an optional clauſe, very different from that lately introduced into Scotland, where the option of paying intereſt was left to the bank. This has ſince been wiſely ſuppreſſed; becauſe it proved a heavy clog upon circulation, and enabled the bank to avoid doing what their own intereſt, and that of the nation, required of them, viz. the ready payment of all balances againſt the country. But in ſuppreſſing optional clauſes, government ſhould facilitate the means of paying balances, and of providing coin. This is done by eſtabliſhing and ſupporting the credit of the banks, in proportion to the ſolidity and extent of their funds. An example of this nature occurred in Ireland, in April 1760, when the parliament intereſted itſelf directly in the ſupport of the credit of ſome private bankers. A mint alſo is neceſſary; or if this ſhould be judged improper or ſuperfluous, ſome aſſiſtance at leaſt ſhould be given in conveying coin from the place of its fabrication.

CHAP. XV. All branches of policy are brought to perfection by degrees, when, inſtead of being eſtabliſhed at once on ſound principles, they introduce themſelves mechanically, by cuſtom and practice only. When therefore a national bank is not found to anſwer all the purpoſes expected from it, private people imitate their plan, and fill up the void. Thus in Scotland, when the banks of Edin-

burgh did not ſufficiently ſupport circulation in the more diſtant parts of the country, private banking companies were erected, and degenerated into a great abuſe. Every one iſſued notes payable to bearer. Thus the public was filled with paper money, the credit of which was quite unknown to many, who were however forced to receive it.

Whatever is payable to bearer, is payable to the public; and no doubt the public has a good right to prevent the iſſuing of notes by any but ſuch as it has confidence in. When a note is payable to order, every one who circulates it is reponſible for the value; but when it is payable to bearer, there is no recourſe upon any but the firſt grantor of the obligation. Such regulations therefore ſhould be made in this reſpect as may give a ſolidity to the paper, facilitate a general circulation, and prevent the eſtabliſhment of a currency confined to particular diſtricts within the ſame country, which tends to introduce a courſe of exchange from one town to another. This would be the caſe, were the circulation of every county carried on by the county bank. A communication, therefore, of intereſt between the banks of a country is requiſite, or elſe the obligation to pay ſhould not be confined to the place where the bank is eſtabliſhed.

Chap. XVI. Here I reſume the principles I have deduced, in a ſhort ſketch of a general plan of regulations for a bank of circulation.

Chap. XVII. If proper regulations upon the banking trade ſhould be found inconſiſtent with the laws and manners of a people, which require a more extenſive liberty to every one to carry on

what commerce he thinks fit, I think it is reaſonable that every company of merchants who iſſue paper, payable to bearer, without the ſanction of government, ſhould be obliged to ſubject their books to ſome kind of public inſpection, that it might be ſeen whether the credit they grant to individuals be of a ſufficient ſolidity to anſwer for the notes they circulate.

CHAP. XVIII. The numberleſs diſtreſſes of the Scots banks at the end of laſt war, made it neceſſary to ſhow, in a particular chapter, what the conſequences might have been, had the banks at that time totally withdrawn their credits, and given up buſineſs. This ſtep would, 1 *mo*, have cut off their whole profits of banking. 2*do*, It would have ruined the whole claſs of exchangers; and with them, 3*tio*, the whole trade and manufactures of Scotland.

CHAP. XIX. Here I take a farther ſtep into thoſe intricate combinations. I now ſhow how the whole obligation, both of paying in coin, and diſcharging foreign balances, may be taken off from thoſe who adminiſter a national bank. Their notes are propoſed to be paid by a proportional transfer of intereſt. All intereſt due *by* banks on that account, and *to* banks for credit given, is propoſed to be paid in coin at certain terms. Thoſe who have occaſion for coin are to buy it at the mint: but this coin is entirely calculated for domeſtic circulation; and therefore a very moderate quantity of it will be neceſſary. And for the payment of all ſums due to foreign nations,

I lay it upon government, according to the plan propoſed in the 5th chapter, upon exchange.

Thus the whole policy of circulation is divided into three diſtinct branches:

1*mo*, The melting down of property, and keeping circulation full at all times. This is the buſineſs of banks.

2*do*, The providing of coin is the buſineſs of mints.

3*tio*, The granting bills on foreign parts, for value in the national currency, is the buſineſs of the ſtate.

Chap. XX. The objection to this doctrine is, that if notes are not payable in coin, they ceaſe to be of value. The anſwer is ſhort. The uſe of paper money is to keep reckonings of value between people who have property; the uſe of coin is to avoid giving credit to people who have none.

The value of the paper in the country is aſcertained by the value of the intereſt which is paid for it in coin; and by not paying the capitals in coin, you prevent its being carried off without neceſſity, whenever a balance becomes due; which balance might be paid by the means of credit.

Chap. XXI. I ſhow, by many arguments, (afterwards employed in the 10th chapter, upon public credit, and which render this combination more ſimple than I ſhould otherwiſe have been able to make it in this place) that the return of a favorable balance of trade will clear the bank of all the foreign debts contracted by it, for the relief of the country; as a like favorable balance on the trade of Great Britain has the effect of ſetting that nation free

from a proportional part of the money due to ſtrangers. In this caſe, the favorable balance is incorporated in the public funds due to natives: in the other caſe, it is incorporated with the ſtock of the bank ſecurities, and enables them to relieve that part of them which was engaged for the intereſt paid out of the country.

CHAP. XXII. The conſtitution of the bank of England differs eſſentially in ſome particulars from that of banks upon mortgage, and private credit. It is not ſo much calculated for multiplying the currency, by melting down private property, as for facilitating the circulation of the trade of London, and exchequer of Great Britain.

The grounds of confidence upon which the notes of this company ſtand are very great.

1*mo*, A capital of eleven millions ſterling, for which they are creditors to the nation.

2*do*, A ſum of credit-caſh at all times in their hand, of about eleven millions more.

3*tio*, The bills o exchange of all the great merchants of Europe, which they diſcount.

4*to*, When they iſſue paper to government upon the faith of taxes, or circulate exchequer bills, they have the ſecurity of the public faith for the ſhort advance of a few months.

This bank, I have ſaid, is more uſeful for promoting circulation than for augmenting it. It has however lent its aſſiſtance in this reſpect on very critical occaſions. It has circulated exchequer bills; and tallies, which, from diſcredit at the time, were as ill calculated to ſupply the uſe of money, as lands or houſes are, from their un-

wieldy nature. The great advantages the public reaped from ſuch operations, abundantly ſhow the utility of banks, which are calculated for that very purpoſe.

The principal operations of this bank are, to receive and pay away the greateſt part of all the national revenue, expenſes, and debts; to diſcount bills of exchange payable at London, and to ſupply the country with coin.

The demand of London for ſubſiſtence and manufactures from the country of England is ſo great, that the whole amount of what is ſent up to that city, for taxes, and for land-rents there expended by the proprietors, does not compenſate it. From which it follows, that by the bank's not giving credit upon private ſecurities, the whole of their paper is in a manner confined to the capital; and if any part of that paper caſually goes into the country, it quickly returns, in payment of what would otherwiſe be remitted in bills. So that paper circulation in the country of England is very inconſiderable, when compared with the coin.

The intention of this chapter is to examine and compare the principles of the two ſpecies of banking, and to point out their ſeveral conſequences as to circulation; from which I am led to think, that if banks of circulation were to be eſtabliſhed in the country towns of note in England, they would greatly promote induſtry every where, and occaſion no inconvenience from their contraſt with the national bank.

Chap. XXIII. After deducing the principles

upon which the ſolidity of paper money is eſtabliſhed, I proceed to point out the bad conſequences of iſſuing bank-notes upon a precarious ſecurity. The bank eſtabliſhed in France by Mr. Law, and the fatal cataſtrophe it brought upon that nation, furniſh excellent matter for illuſtrating the doctrine of paper credit.

The late King of France left, at his death, a debt upon his kingdom of 142 millions ſterling; the coin being at 28 livres the marc of ſilver.

CHAP. XXIV. In a few months after his death, the debt was reduced to 100 millions, by the turn of a wheel. The coin was put at 40 livres the marc. But as the hundred millions ſterling, *in intrinſic value*, after the reduction, contained as many livres in *verbal denomination*, as the hundred and forty millions did before, the greateſt inconvenience diſcovered by the people was confined to the neceſſity impoſed upon them to ſell their old coin at the King's price.

At this time Law ſet up his bank, and without doubt aſſiſted people in that reſpect, with very great benefit to himſelf.

CHAP. XXV. He divided the capital ſtock of the bank into 1200 ſhares, of 5000 livres each (the livre at this time was exactly a ſhilling ſterling); and the purport of the notes he iſſued was, that payment ſhould be made, at all times, in livres of the ſame intrinſic value.

This bank was eſtabliſhed on the principles of the Scots banks, and lent ſums upon every ſpecies of good ſecurity. The conſequence was, that in leſs

than three years, France, from being in the moſt miſerable ſituation for want of money, credit, conſumption, and induſtry, was raiſed, as by magic, to the greateſt affluence. The reaſon was plain: there wanted nothing but an inſtrument to ſet all the inhabitants to work. This Law gave them in a moment; and their own work was the cauſe of the affluence which aſtoniſhed them.

This effect was produced by an inconſiderable ſum of notes: they did not exceed three millions ſterling when Law gave up his bank. But credit and confidence were eſtabliſhed by that ſmall ſum; and the notes brought out all the coin which had been formerly locked up. It is not a great quantity of money, but an exact proportion of it, according to demand, which ſupports trade and induſtry. That proportion may be ſuſtained by the means of banks, but by no other expedient whatever.

Chap. XXVI. Law's bank was no ſooner eſtabliſhed, than he ſought to enlarge his bottom. He found a trading company ruined in their affairs, though entitled to great privileges. He found alſo large ſums of public ſtate billets circulating at great diſcredit, from an ill paid intereſt. He got a grant of the company to himſelf and aſſociates. He opened a ſubſcription for 200,000 ſhares, of 500 livres each. He took payment in thoſe diſcredited obligations; and when he had got the ſtate billets, (given in at ſubſcribing) he engaged the Regent to promiſe punctual payment of the intereſt. This was no ſooner done, than the diſcredited paper, which was become an action, or a ſhare, as we

have called it, only by being ſubſcribed for to Mr. Law, roſe above par. The nation cried out, a *Miracle!* Law was a ſaviour, in the eyes of ſome, a conjuror in the opinion of others.

His credit and his capacity for conducting the greateſt undertaking within the power of numbers and computation, being eſtabliſhed, inſpired the Duke of Orleans with a ſcheme of unbounded ambition, which, in favor of many who have never rightly comprehended the nature of it, I have been at very great pains to trace, in the eight following chapters. And as a recapitulation is uſeful to aſſemble ideas within a ſmall compaſs, which have been diſperſed through many combinations in the work itſelf, I ſhall here, in a few lines, give a general idea of the whole plan.

The Regent perceiving the uſe of paper money, well ſecured on ſolid property, reſolved to take the bank into his own hands, in order to iſſue paper ſufficient to pay off the whole debt of France. Now paper iſſued for paying debts is ſecured upon no fund at all. It is the ſame as if it were iſſued for payment of meat and drink. The whole ſecurity therefore was his own word.

But the difficulty was to prevent this paper from inſtantly returning upon the bank; becauſe it far exceeded all the uſes of circulation, and, conſequently, could not be ſuſpended in it.

The expedient fallen upon was to raiſe the value of the actions of Law's company, (which by the ſubſequent incorporation of new privileges were multiplied beyond 600 000) to a great height, by

promiſing great dividends upon them. The company accordingly promiſed a dividend of 200 livres a year, upon a capital which was originally worth no more than 500 livres.

The great quantity of paper money diſperſed had ſunk the rate of intereſt to 2 *per cent.* The dividend, therefore, combined with the rate of intereſt, carried the market price of the action to 10 000 livres. Here was a new fund provided as an outlet for all the bank-notes paid to the creditors; and in proportion as they bought the actions from the Regent, or the company, whom I here conſider as the ſame, the notes were to be cancelled.

By this operation all the debts of France were to be converted into actions of the company of the Indies, and were to ſhare its fate. But then it muſt be remembered, that this company had in a manner the whole revenue of France in farm; and by a recapitulation of the different branches of their profits, their income amounted to eighty millions of livres a year. So that if matters had been well managed, had credit been ſupported by fair dealing, had no arbitrary acts of power, in tampering with denominations of coin and money, taken place, and had the Regent ſupported and encouraged the company; they in fact might have been able to pay more than all that was required of them; and the very diminution of the intereſt of the public debts, by the fall of money to 2 *per cent.* was, in effect, cutting off one half of the capital. So that if we ſuppoſe the total value of the 2000 millions of debt equal to 100 millions ſterling, the debts of France,

by this ſcheme, would have been reduced to an annuity of 2 *per cent.* on a 100 millions, or two millions ſterling a year paid to the company, who then repreſented the creditors of the nation.

But the project was too great; the capacity of thoſe who were in the management was too ſmall, and the time was too ſhort for bringing about ſo great a revolution: thus it failed; but in a way which ſuggeſts no reaſon to believe that it might not have been ſupported.

CHAP. XXXIV. The denomination of the paper was reduced to one half by an act of power: a man who, for example, had a bank-note for 100 *l.* had it reduced to 50 *l.* This at once deſtroyed the whole credit of France. But it would have ſtood its ground, without doubt, had the Regent called the fifty pounds with which he paid ſuch a note, one hundred pounds; although, if you abſtract from the intereſts of debtors and creditors, which never were attended to, it was abſolutely the ſame thing. The altering the denomination of paper implies, however, this additional injuſtice above that of altering the denomination of coin, that it changes the value of the paper in all caſes; becauſe it contains no other value than the denomination: whereas coin has a value independent of that, which no law can alter.

CHAP. XXXV. The form of a bank propoſed for France, in this chapter, is pretty much the ſame with that mentioned in chap. 16; only here I have not even admitted the payment of the intereſt in coin, for fear that an act of power, by carrying off a

few thouſand louis d'ors on a preſent exigency, might totally ruin the credit of ſuch a bank, and conſequently draw ruin on the whole nation.

This bank is intended merely as an office for keeping accounts between people of property, and thereby of greatly increaſing and ſupporting circulation.

Chap. XXXVI. Having diſmiſſed the ſubject of banks of circulation, I come next to thoſe of depoſit. Here I deduce the principles upon which the bank of Amſterdam is eſtabliſhed.

This bank iſſues no paper, and grants credit upon no ſecurity but coin locked up in their vaults. Conſequently, the ground of their credit is the faithful preſervation of this coin. Were it at any time to be diminiſhed below the value of the credits written in their books, the nature of the bank would be changed. Were the coin to be lent on good ſecurity, ſuch a bank would then immediately become a bank of circulation upon mortgage; ſince it would be the ſame as if the credit had been at firſt granted upon that ſecurity. Were the coin diſpoſed of for no value, the bank would be from that moment bankrupt in fact, although the ſecret might be kept for a long time.

Chap. XXXVII. The intention of eſtabliſhing a bank of this nature at Amſterdam was to fix the ſeat of trade in that city. The ordering all bills of exchange to be paid to the bank in coin, and the giving to the holders of the bills only a credit in bank for the value, was an effectual means of obliging the proprietors of that credit to carry on their trade in the

place

place where their funds were eſtabliſhed beyond a poſſibility of removing them, except by transferring them to others who, by accepting of the transfer, came under the ſame neceſſity. Were indeed trade to become incompatible with the ſituation of the city, as if an earthquake ſhould fill up the port, then the bank would either be removed elſewhere, or the credit writ in their books would become of no more value than gold in an inacceſſible mine. This regulation alſo prevented the circulation of bad coin; becauſe when payment of bills was made to the bank, they took care that nothing but good coin ſhould be received.

From theſe regulations it appears that money cannot be multiplied by banks of depoſit; but on the other hand, it cannot be diminiſhed by exportation, without the act of the bank; and the transfer of credit anſwers every uſe of coin in trade, and prevents alſo its waſte in circulation.

CHAP. XXXVIII. Coin is liable to conſtant viciſſitudes. Its denomination may be changed by an act of power, and its real weight may be diminiſhed in circulation. But when it is locked up, all theſe inconveniences are prevented. Bank-money, therefore; being the value of the coin locked up, is conſtantly the ſame: whereas all coin which circulates is liable to variations; conſequently, theſe variations are relative to the coin which circulates, and not to the bank-money. The difference between the one and the other is called *agio*.

CHAP. XXXIX. Many have imagined the treaſure of the bank of Amſterdam to be immenſe;

becauſe no body can ever take any thing from it, and that it is conſtantly receiving new augmentations: but the policy of the bank itſelf deſtroys this ſuppoſition, and ſhows plainly, that the ſum locked up never can exceed what is abſolutely neceſſary for circulating the trade of the city.

It is true, no perſon can go to the bank and demand to have the amount of his written credit paid him in coin. But were the written credits to exceed the uſes found for them, the value of ſuch bank-money would diminiſh; conſequently, the value of the circulating coin would increaſe, which is the ſame thing. Now as this would prove a great diſcredit to the bank, they employ a ſet of caſhiers or brokers to keep the balance even. Their buſineſs is to buy and ſell bank-credit with current coin, and to theſe the bank gives credit. When there is a demand for bank-credit, the caſhiers ſell it for coin, and both parties going to the bank, a new credit is written, or the caſhier's credit is transferred to the buyer. When, on the other hand, coin is demanded for bank-credit, the caſhiers pay for it with coin which the bank lends them; and for their repayment, they transfer to the bank the credit they have bought with it. This needs a little explanation. Suppoſe one to have credit in bank for a thouſand gilders, which he wants to ſend away in coin. He goes to the caſhier and ſells his thouſand gilders of bank-credit: the bank lends this thouſand gilders to the caſhier, and the man who ſells the credit gets the coin, and makes a transfer of the credit in favor of the caſhier.

But as he owes this ſum to the bank, he transfers this credit to the bank itſelf, in payment of the thouſand gilders borrowed; and then the bank may expunge it, if they pleaſe, from their books; becauſe it is due to themſelves. Thus although no money can be demanded of the bank by one who has credit, they can give the money to a third party who does it for them.

PART III. *Of Exchange.*

CHAP. I. FOREIGN circulation is carried on by bills of exchange.

When reciprocal debts are contracted by different countries, the creditors in both take payment at home for the bills they draw to the order of thoſe who pay; and they again indorſe the bills to their creditors abroad.

In this contract four parties concur: the domeſtic and foreign creditors; the domeſtic and foreign debtors. This operation can extend no farther than to the amount of reciprocal and equal debts, if there be a balance owing upon one ſide, this balance muſt be paid in value, either in money or merchandize. Now as a debt is much eaſier diſcharged by compenſation than by payment, merchants endeavour to profit of this compenſation, but as every one endeavours alike when there is a balance on one ſide, it operates upon the whole of the exchange, and every one muſt bear his ſhare of the expenſe of paying it.

If London ſhould owe a balance to the world, after compenſating all that the world owes to her, every London-debtor to the world will wiſh to compenſate; conſequently, he will look out for one who is creditor to the world: but this ſearch betrays the ſecret, and ſhows that he is the demander; upon which the other avails himſelf of his ſituation, and refuſes to compenſate without profit. Hence the ſecrecy ſaid to be requiſite in this branch of trade. It is requiſite to the trader only, whoſe intereſt is concerned; becauſe whatever one ſet of merchants in a place wiſh to conceal, another ſet have conſtantly an intereſt to divulge. The intereſt of the ſtate conſiſts in preſerving an equality of profit and loſs among them all; and in facilitating to them the paying and receiving the balances due upon the total of all their tranſactions. The loſs of the nation is upon the balance due by the country; the expenſe of paying the balance, which is the price of exchange, is only a relative loſs to ſome of her ſubjects, and a relative gain to others.

The attention, therefore, of a ſtateſman in what regards exchange, is, 1*mo*, To take care that the true par between the value of the national money and the money of other nations, ſhall be as much as poſſible proportional to the quantity of metal contained in each.

2*do*, To remove domeſtic inconveniences in paying with the metals, or national coin, every unavoidable balance.

3*tio*, To hinder the expenſe of acquitting a ſmall

balance from occaſioning a loſs on the compenſation of reciprocal debts.

And, 4*to*, When he finds an inconvenience in allowing the metals or coin to go out of the country, he muſt aſſiſt in having the balance paid in the way of credit.

CHAP. II. The beſt method for determining exactly the true and intrinſic value of the metals, coin, or money, in which the balance due to or from a foreign nation, is to be paid, is to compare the reſpective value of fine bullion with the reſpective denominations of the coin in the two places exchanging; and to ſtate the difference only, as the price paid for the exchange. To render this more practicable, a propoſal for rendering all mint-weights more determinate is ſet forth in a note.

CHAP. III. When upon the whole of a nation's trade with the reſt of the world, a balance is due, it muſt be paid, either in intrinſic value, which totally diſcharges it, or by giving ſecurity for it, and paying intereſt until the charge can be obtained. We conſider in this chapter the methods of diſcharging it.

A ſtateſman is the beſt judge when his people ought to pay with bullion, and when with credit. If he approves of their paying with bullion, that is, with gold and ſilver, he ſhould render the exportation of the metals as eaſy as poſſible. If a duty be laid upon coinage, he need not be afraid that any one will ſend off the coin, as long as bullion can be found; and when this runs ſhort, if he does not chuſe that his coin ſhould go out, he muſt lend his aſſiſtance in

paying with credit. If he finds it againſt his intereſt either to pay in one way or in the other, he muſt put a ſtop to the trade which creates the balance: for while ſuch trade is permitted, he will find it beyond his power to prevent the payment of that balance in the moſt hurtful way poſſible to his country.

I here obſerve, that in countries unacquainted with trade, and in others where the whole external commerce is carried on by ſtrangers, a good expedient for cutting off ſuch hurtful branches of traffic is to lay all the reſtraints poſſible on the exportation of the metals, in order to promote the exportation of what the country can offer in return. But when trade and induſtry are eſtabliſhed, theſe reſtrictions ceaſe to be uſeful; becauſe merchants then find a profit upon exporting domeſtic productions, which they never can have upon exporting an intrinſic value.

A ſtateſman, therefore, ſhould conduct his operations according to the ſituation of his country. If foreign trade be unprofitable, cut it off as much as poſſible, and lay every reſtraint upon the exportation of coin. If it be profitable, lay no reſtrictions on payments, becauſe you are ſure you will gain upon the whole. And if, in any particular caſe, you incline to keep your coin at home, mortgage your country, and pay with your credit.

If, when you are obliged to check foreign trade, and lay prohibitions on the exportation of coin, exchange is found to riſe to a great height againſt you, yet will this exchange produce no national

loſs: it will be paid within the country by thoſe who conſume foreign commodities, to thoſe who are at the trouble and expenſe of tranſacting the balance.

CHAP. IV. Here I demonſtrate what before I had in a manner taken for granted, viz. that the price of exchange is neither a national loſs, or a national gain; but whether it be favorable or unfavorable, it produces an inſtability in the profits upon trade, and ſhould therefore be kept at par by all poſſible methods. I alſo ſhow how exchange is favorable to exportation, when the balance is againſt a country, and how the exchange is unfavorable in that reſpect in proportion as the balance is for that country: and as whatever exchange is gained by exporters is loſt by importers, and *vice verſa*, ſome have concluded, that an unfavorable balance does of itſelf deſtroy its own pernicious effects, and ſets the balance even. I endeavour to diſprove this propoſition, by ſhowing how the importers are indemnified, as to their loſs by the exchange, from the additional price they get for their foreign commodities at home; whereas the exporters cannot raiſe their prices abroad; becauſe foreign competition will not permit them. So that in one caſe the wrong balance hurts the rich conſumer at home, who can bear the loſs; and in the other, the right balance hurts the poor manufacturer, who cannot. Hence I conclude, that it is greatly for the intereſt of a trading ſtate to keep exchange, at all times, as nearly at par as poſſible.

That this is a practicable ſcheme, I prove by a matter of fact, and by an experiment made in France

by a late miniſter; where, upon a certain occaſion, the exchange having riſen to a great height againſt France, he immediately brought it to par, by ordering bills upon Holland to be furniſhed at that rate, to thoſe who ſhould demand them; and by taking upon himſelf the expenſe of ſending the money paid for ſuch bills, to the place upon which they were drawn.

I obſerve, however, that ſuch operations can only be recommended to ſtateſman who preſide over the intereſts of flouriſhing trading nations; becauſe in proportion as they are benefited by facilitating the payment of the caſual balances due by them from time to time, in ſo far is a prodigal nation hurt, by facilitating the diſſipation of their property, and by contriving a ready method of transferring it to foreigners.

CHAP. V. When a nation owes a balance, after all the payments they have been able to make, either in coin, bullion, bills, or merchandize, it is evident, that what remains can only be ſatisfied by obtaining credit for it, at the expenſe of mortgaging the country and paying intereſt for the remaining balance. When this, however, happens to be the caſe, it involves the nation-debtor in a multitude of expenſive operations conducted by exchangers, who conſtantly find a profit in carrying them on, though at a very great loſs to individuals within the country. To prevent this inconvenience, I propoſe, that the ſtateſman ſhould take upon himſelf the obtaining of credit abroad, for the balance due by the country he governs; and that the expenſe incurred by this

operation ſhould be defrayed by the public, whereby every individual within the ſtate will contribute his ſhare towards maintaining an uniformity in the profits upon trade, and ſupporting the ſtability of commerce, from the regularity of the courſe of exchange at all times. This operation reſembles very much another of which we have already ſpoken in treating of banks of circulation upon mortgage. There we recommended the payment of foreign balances as a proper branch of bank-adminiſtration: here we recommend it to a ſtateſman to interpoſe voluntarily between his ſubjects and their foreign creditors. This is the beſt method of ſupporting commerce, when it happens accidentally to fall under the diſcouragement of an unfavorable balance.

PART IV. *Of Public Credit.*

CHAP. I. THE credit of a ſtate reſembles, in moſt things, that of an individual: they differ however in this, that when a private man contracts a debt, he himſelf is anſwerable for it. When a ſtate contracts a debt, thoſe who contract the obligation in the name of the ſtate are not reſponſible for it. Hence it happens, that private people are commonly more anxious about paying their debts than ſtateſmen are who adminiſter for the public. Another difference is, that public debts do not ſo much affect the proſperity of a ſtate as private debts do that of the debtor. The intereſt of a private debtor is ſimple

and uncompounded; that of a ſtate is ſo complex, that the debts they owe, *when due to citizens*, are, on the whole, rather advantageous than burdenſome: they produce a new branch of circulation among individuals, but take nothing from the general patrimony.

In deducing the principles of public credit, we muſt ſuppoſe it the eſtabliſhed maxim in the ſtate, to adhere to the faith of their engagements; and that a permanent fund is appropriated for the payment of the intereſt of all the money borrowed: a liberty muſt be ſuppoſed, at the ſame time, to redeem the obligation by adequate payment; and alſo an eaſy transfer of the capital from hand to hand, to indemnify every creditor for the loſs of his capital, which is not demandable from the ſtate, as the caſe commonly is in private ſecurities.

The conſequence of the ſwelling of public debts, is, to occaſion a proportional augmentation of contributions out of private property. The conſequence of this again, is, to produce a vibration in the balance of domeſtic wealth. This creates a monied intereſt, which ſwells in proportion as public debts increaſe; and which may ſwell to ſo great a height as to transfer the income of a whole nation from the nominal proprietors to the public creditors.

A ſtateſman, therefore, ought carefully to attend to the ſpirit of the nation he governs, before he gives way to a regular and ſyſtematical augmentation of public debts. In monarchies, the proprietors of lands may bear for a while the temporary diminutions of their annual income, though they will not

eaſily be made to ſubſcribe to a plan which evidently tends to deprive them of all they have, and to transfer their power and property to a ſet of men whom they have always conſidered as their inferiors.

In monarchies, therefore, a great increaſe of public debts will more probably bring on a national bankruptcy, than in governments which participate of the republican form.

The conſequences, therefore, of the ſwelling of public debts may be, either, 1*mo*, To diſturb the tranquillity of the ſtate, by an attempt to transfer the property of it from the real poſſeſſors to a new created monied intereſt: or,

2*do*, If a ſyſtematical plan of borrowing upon ſolid ſecurity be not laid down, it may mechanically draw on a general bankruptcy: or,

3*tio*, If debts be allowed to ſwell beyond due bounds, ſo as to hurt the intereſt of the great body of the proprietors, the ſtate may be engaged to adopt the fatal expedient of a ſpunge: or,

4*to*, If the ſpirit of the people prove compatible with the ſyſtem of borrowing and ſupporting public credit to the utmoſt extent, then the whole income of the nation will remain in perpetual fluctuation, paſſing from one ſet of creditors to another, the ſtateſman ſtill retaining the adminiſtration of it for their uſe: or,

5*to*, If the debts contracted become the property of foreigners, theſe will either remove into the country where their funds are, or the income of the whole will be converted into a foreign tribute.

Chap. II. While public expenſe was defrayed from treaſures, public credit was a thing unknown. While ſupplied from rapine and extortion, it never could exiſt. During the ſimplicity of ancient manners, when there was neither induſtry or circulation, credit was unneceſſary: the coin was more than ſufficient to ſerve every purpoſe of alienation.

When trade and induſtry began to make a progreſs in Europe, in the Hans towns, and in the republics of Genoa and Venice, the conſequences of their credit were ſoon felt by Princes, who aukwardly began to imitate their example; firſt, by borrowing money upon mortgages of their lands and principalities; and afterwards, by impoſing taxes and ſelling them for what they could get to a moſt rapacious ſet of men, the tax-gatherers. This ſpread oppreſſion, and this again ſoon brought the Prince to poverty.

Taxes, however, once eſtabliſhed in this violent method, and upon urgent occaſions, came, in time, to be improved, and formed a large fund, which now ſerves as a ſolid baſis for public credit.

Chap. III. While taxes were only appropriated for a time, for the repayment of the debts contracted by a ſtate, the attention both of the ſtate and of the lenders was totally fixed upon the diſcharge of the capitals: but in proportion as money increaſed, in conſequence of the whole ſyſtem of modern political economy, the lenders formed to themſelves a new point of view, viz. the acquiſition of a permanent intereſt ariſing from a transferable capital.

In order to make this change of policy from borrowing with an intention to repay the capital, to borrowing with an intention to pay a perpetual intereſt, the more ſenſible, I have traced in this chapter the progreſs of the firſt, by a review of the plan of public credit in England until the end of the laſt century.

Here I analize briefly the ſentiments of Dr. Davenant, and compare them with thoſe eſtabliſhed in our days, when the latter policy has taken place; and upon the whole I determine, that the difference in the ſyſtem of public credit then and at preſent, has proceeded principally from the difference in the ſtate of circulation, and from the expedients now fallen upon for increaſing the quantity of money, in proportion to the uſes found for it.

CHAP. IV I then compare the ſtate of public credit in France, during the adminiſtration of Cardinal de Richlieu, with that of England after the revolution. Here I endeavour to point out the influence which the different forms of government have upon the ſtability of public credit, both in contracting and in paying off public debts.

In France, the power of the Prince furniſhes many expedients for paying off capitals, which had been borrowed at an exorbitant intereſt in times of public diſtreſs.

In England, the limited power of the crown, and the reſponſibility of miniſters for their exerciſe of it, is a great ſecurity to thoſe who lend money to the ſtate; and conſequently, proves a very great advantage in contracting debts upon reaſonable terms.

The longer the two ſtates ſubſiſt, the greater will the advantage be found in favor of that which adheres the moſt ſtrictly to the faith of its public engagements.

When the credit of France and England are compared together, the difference between them is moſt remarkable. The ſtrict adherence to the faith of public engagements has eſtabliſhed, in England, ſo nice and ſcrupulous a credit, that the ſmalleſt deviation from its principles may prove fatal to the whole ſyſtem. The credit of France, on the other hand, has been accuſtomed to a rougher uſage; and the frequent acts of power, to the prejudice of creditors, rather occaſion a temporary damp than a total deſtruction of their credit for the future. Such acts of power, however, in critical circumſtances, prove extremely hurtful; and the advantage of a well eſtabliſhed credit will, in all probability, either open the eyes of that nation to their own intereſt, or bring calamities upon them, which now appear little to be feared, in their preſent ſituation.

Chap. V. This chapter contains a ſhort ſketch of the plan of public credit, as carried on in Great Britain, from the end of the laſt century, to the concluſion of the peace in 1763. I here enumerate the principal operations, calculated for enlarging the fund of Britiſh circulation, by engaging the bank of England to turn into money the diſcredited bills and tallies of the exchequer. I have pointed out the principle which circumſcribes this power in the bank within certain limits. I have

traced the progreſs and fluctuations of intereſt of money; which have conſtantly been in proportion to the demand for borrowing or lending in the market at the time. I have mentioned the riſe of the ſinking fund, and the uſe which has been made of it. I have endeavoured to explain the methods of borrowing by *premium*, and have pointed out the inconvenience attending that plan, as long as the principal view of diminiſhing a nation's debt is confined to expedients for lowering the intereſt of the capital. I have given a progreſſive ſtate of the augmentation of the debts of Great Britain at the end of every war; to which I have ſubjoined a ſhort ſtate of the nation at the laſt peace.

I conclude my chapter, by aſſigning reaſons for the preſent low ſtate of public credit in Great Britain; which has been principally owing to the large ſums of borrowed money inveſted in the funds before the peace, upon the proſpect of a ſudden riſe in their price, on the return of public tranquillity. This riſe would, undoubtedly, have happened; had it not been obſtructed by the neceſſity which the nominal ſtockholders were put to, of bringing their funds to market, in order to anſwer the demands of thoſe from whom they had borrowed what they had inveſted in ſtock: and until this operation be completed, that is, until the funds of Great Britain become veſted in the real proprietors of them, the ſtate of public credit will conſtantly be undetermined.

CHAP. VI. Having giving a ſhort ſketch of the

preſent ſtate of public credit in England, I endeavour, in this chapter, to extract, from the beſt private authorities to which I could have acceſs, a parallel view of the affairs of France, ſo far as relates to its revenues, taxes, and debts, at the peace 1763.

By the revenue of France, I here underſtand, not only what comes clear and nett into the King's coffers, but alſo what is farther levied upon his people. The parallel therefore will not hold between the revenue of France and that of England, as repreſented in the preceding chapter, without attending to this difference.

The net revenue of England charged with all its debts and expenſe of government, we have ſaid to amount to 10 213 000 *l.* The groſs revenue of France, on the other hand, appears to amount to 24 740 834 *l.* ſterling.

But if from this be deducted that part which never enters the royal treaſure, and which is expended in levying the revenue, and in appropriations for particular perpetual expenſes, to the amount of 6 815 111 *l.* ſterling, there will remain of net income, paid into the King's coffers, and charged with all the debts and expenſe of government, only 17 925 723 *l.* ſterling.

If from this ſum we deduct the total amount of the net revenue of Great Britain, (10 213 000 *l.* ſterling) the remaining ſum of 7 712 723 *l.* ſterling, will ſhow the exceſs of the French revenue above that of England.

The

The foregoing ſum of 17 925 723 *l.* ſterling, ariſes from the following branches:

1*mo*, Thoſe which compoſe the King's ordinary revenue; which, at the peace 1763, amounted to 12 546 666 *l.* ſterling, burdened with the payment of 2 022 222 *l.* ſterling of intereſt of the debts charged upon it.

2*do*, The extraordinary taxes eſtabliſhed for a limited time, after the peace of Aix-la-Chapelle. Theſe amount to 2 326 133 *l.* and are totally appropriated for the payment of capitals, and intereſt upon them, incurred during the late wars, according to the principles of public credit in practice in England, during the reign of K. William and Q. Anne: and ſo ſoon as this fund has cleared the charges upon it, it is to ceaſe, being no permanent branch of revenue.

3*tio*, The extraordinary revenue raiſed on account of the laſt war. This amounts to 3 052 923 *l.* ſterling, and conſiſts of the ſecond and third twentieth penny, granted for a very limited time, and appropriated, as the former branch, for diſcharging the debts lately contracted. The ſum of theſe three branches made the total of the 17 925 723 *l.* paid in to the King's treaſury, and burdened with all the public debts.

If we therefore ſuppoſe the two laſt branches of French revenue to be continued until all the debts charged upon them are paid, then we ſhall find the ſtate of that kingdom reduced to the King's ordinary revenue of 12 546 666 *l.*; from which however muſt be deducted at leaſt one half of the capitation.

This half amounts to 1 182 222 *l.* ſterling, and is ſo burdenſome, that its continuance will be impoſſible. The revenue therefore will be reduced to 11 364 444 *l.* ſterling, charged with 2 022 454 *l.* ſterling, intereſt of debts; of which indeed 711 111 *l.* are annuities upon lives, and muſt therefore be extinguiſhed in time.

According to this view, the revenue of France will be 11 364 444 *l.* ſterling, charged with the annual payment of 2 022 222 *l.* intereſt of debts: and the revenue of Great Britain is 10 213 000 *l.* charged with the annual ſum of 4 860 000 *l.* intereſt of debts.

What remains free for France is 9342 222 *l.* ſterling; and for England, 5 353 000 *l.*

But out of this free revenue of France muſt be deducted the permanent articles of expenſe charged upon the ordinary revenue, excluſive of the intereſt of debts already deducted. Theſe articles amount to the ſum of 8 468 889 *l.* which being deducted from 9 342 222 *l.* leaves a free balance of no more than 873 333 *l.*

On the other hand, if we ſuppoſe the net amount of the revenue of Great Britain, after paying the intereſt of its debts, to be, as above, 5 353 000 *l.*; and if the expenſe of the current ſervice of the year, including the civil liſt, be ſuppoſed to amount to 4800 000 *l.* ſterling, as it nearly did, before the commencement of laſt war, there will remain of free balance 553 000 *l.* *

* But if the current annual expenſe ſhould not exceed 3 600 000 *l.* or 4 400 000 *l.* including the civil liſt, which is nearly the preſent eſtimate, we may then add 400 000 *l.* to the free balance, and ſtate it at 950000 *l.* in round numbers.

From all which we may conclude, that, abſtracting from extraordinary ſupplies for extraordinary exigencies, the revenue of both nations is pretty nearly in proportion to their current expenſe; and, therefore, their reſpective powers, when engaged in war, will be in proportion to their credit at the time.

CHAP. VII. In comparing the credit of the two nations, two things enter into conſideration First, the confidence of the world, in the ſolidity of their reſpective public faith. This I take to be totally in favor of the Britiſh nation. The ſecond is, the ſolidity and extent of the funds, which are to be provided in ſecurity of the ſums to be borrowed upon future emergencies. Theſe reſources, in France, we have ſeen to conſiſt in their dixièmes, vingtièmes, double capitation, and extraordinary impoſitions upon the clergy, and other bodies politic; taxes ſo burdenſome in their nature, and ſo contrary to the ſpirit of the French nation, that it is hardly poſſible they ever can be made ſo permanent as to anſwer any other purpoſe than a ſhort temporary appropriation.

The true reſources of France are confined to thoſe taxes upon conſumption above enumerated, which do not enter into the ordinary revenue, and which are now impoſed and appropriated only for a time. When theſe taxes become free, they may no doubt be rendered perpetual, and appropriated for a future fund of credit.

On the ſide of Great Britain, the caſe is different. The greateſt part of her revenue is already

perpetual; and the only two branches of annual grants, the land-tax and malt-duty, are not ſo exceſſively burdenſome, nor ſo repugnant to the genius of the people, as to render the raiſing of them at all precarious. And were this nation once to adopt the ſyſtem of raiſing money, in time of peace, ſufficient to defray the charges of government, the ſinking fund would prove a reſource for the future, far above any thing that France can boaſt of.

CHAP. VIII. Having by this ſhort ſketch of the ſtate of credit in Great Britain and France, prepared a ſort of canvaſs for our farther reaſoning, I proceed to apply principles to ſome combinations, which might be formed concerning the conſequences of an overſtretched credit.

In proportion as credit is uſed for borrowing money to be ſent abroad, either a ſupply of currency muſt be provided for filling up the void, or alienation, trade, induſtry, &c. muſt ſuffer a check.

And even if money ſhould be borrowed to be ſpent at home, an additional quantity of it muſt be added to circulation; becauſe this new expenſe of the ſtate will require it.

Every fund of property may be converted into money, with the aſſiſtance of credit, providing the ſtateſman lends his hand to the operation: and the fundamental principle for ſupporting credit of all kinds, is, to provide every one with money who has property to pledge for it.

When money is borrowed by a ſtate, to be

ſpent abroad, the loan muſt either be made in coin, or in paper. If in the firſt, it is exported; becauſe coin is the money of the world: if in paper, it muſt either be converted into coin, and exported, or it muſt be remitted by bills, drawn upon countries debtors to England, for example; or, in the laſt place, it muſt be paid in the way of credit, by conſtituting England debtor to the Continent for it. When it is paid by bills drawn upon countries, debtors to England, then the conſequence of ſuch a loan is to convert the balance of trade into a capital in the public funds.

In whatever way money is borrowed by a ſtate, whether from natives, or foreigners, the conſequences are the ſame. The operation of a favorable balance of trade will transfer what is owing to foreigners in favor of natives; and a wrong balance of trade will transfer the property of natives to foreigners.

If no check be put to the augmentation of public debts, if they be allowed conſtantly to accumulate, and if the ſpirit of a nation can patiently ſubmit to the natural conſequences of ſuch a plan, it muſt end in this, that all property, that is income, will be ſwallowed up by taxes; and theſe will be transferred to the creditors, the ſtate retaining the adminiſtration of the revenue.

The ſtate, in that caſe, will always conſider thoſe who enjoy the national income as the body of proprietors. This income will continue the ſame, and the real proprietors will pay the taxes impoſed; which may be mortgaged again to a new,

ſet of men who will retain the denomination of creditors; until by ſwallowing up the former, they ſlip into their places, and become the body of proprietors in their turn, and thus perpetuate the circle

CHAP. IX. But as a thouſand accidents may put an end to public credit, before ſuch intricate revolutions can be accompliſhed, the conſequence muſt be a bankruptcy. This may either happen by a deliberate act of government, or from the natural conſequences proceeding from an over-ſtretched credit.

I here endeavour to ſhow, that it is impoſſible to form a ſuppoſition of circumſtances, in which a deliberate act of bankruptcy can be a prudent meaſure. The only end that could be propoſed to be attained thereby, would be, to relieve thoſe who are oppreſſed by taxes. But a ſudden abolition of taxes would have the effect of ruining the landed intereſt, as well as all the manufacturing claſſes. Sudden revolutions are conſtantly pernicious; and no revolution can be ſo ſudden as that of a bankruptcy. If ſuch a revolution ſhould happen, from circumſtances which can neither be foreſeen or prevented, the beſt expedient would ſtill be, to adhere, as much as poſſible, to the faith of public engagements; becauſe no expedient would be ſo productive of good conſequences, in ſuch a calamitous ſituation.

While the debts of a nation are due to its ſubjects, and while there remains any balance due in favor of the nation, no increaſe of debts can *neceſſarily* bring on a bankruptcy. It is a contradiction to

ſuppoſe that a nation can become bankrupt to itſelf. But when, on the general ſtate of payments between a nation and the world, there is found an annual balance due, which cannot be compenſated either in the way of payment, or in the way of credit, then indeed a bankruptcy becomes unavoidable.

From this reaſoning we may conclude, that the method of determining the exact extent of public credit, is to keep a watchful eye upon the increaſe of debts due to foreigners, and to compare theſe with the favorable balance upon the trade of the nation. When thoſe debts and this balance begin to draw near to an equality, if part of the capital of the public debts be not immediately paid off, by an augmentation upon public contributions, the infallible conſequence will be a ſtate-bankruptcy.

CHAP. X. The firſt requiſite for contracting public debts, is to eſtabliſh a fund for fulfilling public engagements. This procures the confidence of the lender. The next is, to eſtabliſh an extenſive plan of credit at home, which may be ſufficient at all times to keep circulation full.

When, from the effects of borrowing, too great ſums are, from time to time, drawn out of circulation, the void muſt ſpeedily be filled up. If this be neglected, taxes will not be paid, as has been often obſerved: beſides, if money be allowed to become too ſcarce, in proportion to the demand for it, intereſt will riſe, and borrowing will become proportionally more burdenſome to the ſtate in general.

Foreign expenſe frequently drains the fund of circulation at home: hence a multitude of inconveniences ariſe. To prevent theſe, I ſuggeſt a new ſcheme of borrowing, by opening ſubſcriptions in foreign countries where the intereſt is annually to be paid. This being to be remitted by the country borrowing, a ſtateſman may, with the greater eaſe, obviate the inconveniences which might ariſe to circulation from ſuch remittances.

In this chapter, I endeavour to prove by new arguments and illuſtrations, that national diſtreſs is more owing to a ſcanty circulation, than to circumſcribed property; and a ſtateſman who neglects to employ every method for keeping up the circulating equivalent within the ſtate he governs, to the full proportion of all the uſes found for it, fails in the moſt eſſential requiſite for promoting the proſperity of his people, and the eſtabliſhment of his own credit.

Having pointed out the methods of contracting debts, I proceed to the method of paying them. This may be accompliſhed in ſix different ways, by the help of a ſinking fund; which,

1*mo*, May be applied annually, to the diſcharge of certain capitals, at the option of the ſtate. Or,

2*do*, According to a certain rule, to determine the preference.

3*tio*, By appropriating the fund, for the payment of a proportional part of the whole outſtanding capital. Or,

4*to*, By reducing the intereſt of the capitals. Or,

5*to*, By converting the whole of the capitals into

determinate annuities, proportionate to the extent of the ſinking fund. Or,

6*to*, By the means of lotteries, where the ſtate may gain what gameſters are willing to loſe.

I point out the advantages and inconveniences of every plan. The firſt five expedients are too plain to require a recapitulation. The ſixth amounts briefly to a ſuppoſition, that the intereſt of the public debts is brought, by a proper chain of adminiſtration, to a lower rate than in any other part of Europe. In this ſituation, accidental circumſtances will occaſion (as at preſent) fluctuations in the price of the ſtocks. When they fall below par, let government open ſubſcriptions for lotteries, to be paid in ſtock at the market price. Subſcriptions alſo might be opened, and the old capitals might be received at the market price, and conſtituted a-new at the current intereſt, with a ſmall premium above the rate at the time. By ſuch means, the ſum of the old capitals would be reduced, and a ſmall benefit would accrue to the ſubſcribers. Then, upon the riſe of the ſtocks, the intereſt on theſe ſubſcriptions might be reduced again; from which a double benefit would reſult; the price of ſtocks would be ſupported on one hand, and the capitals of the public debts would be reduced on the other.

CHAP. XIV.

Recapitulation of the Fifth Book.

Of Taxes.

INTROD. HAVING already explained the effect of taxes upon domeſtic circulation; it now remains to inveſtigate the principles by which they are to be impoſed on their proper objects.

CHAP. I. I divide taxes into proportional, which affect conſumption, or, more properly, what may be called expenſe; cumulative, which affect property; and perſonal, which conſiſt in perſonal ſervice. Theſe I explain by giving examples of each.

CHAP. II. Proportional taxes may be ſo impoſed as to affect almoſt every expenſe of living, and as all expenſe ſhould ariſe from income, not from ſtock, the firſt principle of taxation, is, to confine all impoſitions to income only: whatever affects a capital is oppreſſive and unjuſt. But as in all expenſe there is alienation, although in all alienation expenſe is not implied, the beſt method to avoid the miſtake of taxing ſtock inſtead of income, is, to impoſe the tax in ſuch a manner as to affect the conſumers only; in which caſe, whoever buys to ſell again will draw the tax completely back.

CHAP. III. In this chapter, I fully explain the operation of drawing back proportional taxes.

When the commodities charged with ſuch taxes are either not conſumed by purchaſers, or by the

induſtrious claſſes, they are conſtantly drawn back, except ſo far as the conſumption made by the latter is an article of ſuperfluity.

Hence I conclude, that the price of *labor* is raiſed by proportional taxes, in proportion to induſtry only, though the price of the *commodity taxed* be raiſed in proportion to the tax. Conſequently, the more taxes are found to increaſe the price of labor, the more we may conclude in favor of the induſtry of the manufacturing claſſes: and the more they bring into the exchequer, the more we may conclude in favor of the eaſe and opulence of thoſe who conſume the objects of ſuch taxes.

CHAP. IV. The proper object of cumulative taxes, is the large poſſeſſions of the higher claſſes of a people, which can bear a diminution in favor of the ſtate, without danger of encroaching upon their neceſſary or eaſy ſubſiſtence. It is not ſo when they are laid upon the lower claſſes; becauſe theſe are either compoſed of the induſtrious, or of beggars. The firſt ſhould be enabled to draw back from the rich, what they advance for the public ſervice. The latter have nothing to give; to tax them is but adding to their miſery, without relieving the wants of the ſtate.

The great advantages of proportional taxes over the cumulative, may be reduced to three.

1*mo*, The proportion between the tax and the object taxed is determinate.

2*do*, The proportion may be known to every body.

3*tio*, The time of paying the tax is regular and

gradual; becauſe in paying for the commodity you pay for the tax, and your liberty in buying ſuch commodities is unreſtrained; conſequently, the expenſe is ſuppoſed to be in proportion to what your income can afford. Whereas in the cumulative taxes, it is, firſt, hardly poſſible to preſerve the proportion between the tax and the eaſe of a perſon's circumſtances. In the ſecond place, it is impoſſible for the ſtate to aſcertain exactly that proportion. And in the laſt place, the demand for the tax is made at a time when people are often unprepared.

CHAP. V. The principal inconveniences alledged againſt proportional taxes, are, 1. That they raiſe prices: 2. Diſcourage conſumption: and 3. That they are oppreſſive and expenſive in the collection. Theſe inconveniences are more apparent than real, as will appear from what follows.

1*mo*, A proportional tax, rightly impoſed, and properly levied, will undoubtedly raiſe the price of the objects taxed; but it will only conſequentially raiſe the price of the labor of the induſtrious man who pays it; becauſe he will draw it back in proportion only to his diligence and frugality.

The price of labor is *regulated* by demand, and is *influenced* only by proportional taxes.

2*do*, As to diſcouraging conſumption, if taxes raiſe prices, this circumſtance proves the increaſe of conſumption; becauſe if conſumption were to diminiſh, taxes would not be paid, and prices would fall of courſe, even to the detriment of the induſtrious. Theſe are always the conſequences of proportional taxes, when wrong impoſed.

3tio, As to the expenſe and oppreſſion in levying them, theſe inconveniences are, in a great meaſure, in proportion to the diſpoſition of the people to defraud the public: for when they are fairly paid, and honeſtly collected, proportional taxes are little more expenſive, and infinitely leſs oppreſſive than any other. I conclude my chapter by ſome obſervations drawn from the practice of different countries, which point out a method of avoiding both the oppreſſion and the expenſe of levying proportional taxes.

CHAP. VI. All taxes are paid out of the circulating money of a country; conſequently, they cannot exceed a certain proportion of that ſum. It is not, therefore, from the value of the property, or the quantity of conſumption, that any one can form a gueſs of the probable amount of taxes, ſo much as from the eaſy and expeditious circulation, which facilitates alienation and ſale.

Were taxes, indeed, paid in kind, they might bear a proportion to fruits and labor; but then they would diminiſh the fund of ſubſiſtence: whereas they now draw a ſhare of that quantity of money which circulates through the hands of every individual.

The great difference between cumulative and proportional taxes, conſiſts in this. That in the firſt, he who pays them cannot draw them back in proportion to his induſtry; in the laſt, he may: but ſo far as any one of an induſtrious claſs proves idle or extravagant, every proportional tax will affect his daily profits, as every cumulative tax

will affect the income of a fund already acquired. This deduction of principles is of great use in imposing taxes; because it points out the method of giving to many cumulative taxes usually imposed on the lower classes, all the advantages of those of the proportional kind.

Chap. VII. Taxes ought to be imposed for the benefit of the public, not of private people: and while that object is fulfilled, taxes are beneficial in every respect. When they are properly levied, they only abridge unnecessary private expense: when they are properly applied by the state, they advance improvement every where; and those who have fortunes already acquired, will be brought to contribute to the ease of the lower classes.

Thus by the help of cumulative and proportional taxes, rightly imposed, and rightly expended, circulation is greatly increased; industry is advanced; the public good is augmented, not diminished; and the burden of payments becomes so equally proportioned, as not to be felt in any degree sufficient to overbalance the advantages resulting from the general system.

Chap. VIII. Having said that cumulative taxes affect the income of funds already acquired, I observe, that this income proceeds from moveable or immoveable property. The first of which will constantly avoid the grasp of every statesman who attempts to lay a tax upon it. Cumulative taxes, therefore, if carried to their utmost extent, may absorb the whole income of *immoveable property*; but of that only.

Proportional taxes, again, have been ſaid to affect the ſuperfluity of thoſe who conſume the objects of them; conſequently, if every thing which is conſumed were firſt to ſuffer an alienation for money, a proportional tax might be impoſed upon it.

The method, therefore, of carrying proportional taxes to their utmoſt extent, is, to draw to market every thing conſumable; and inſenſibly to raiſe the tax upon it, ſo high as to abſorb, as much as poſſible, the whole ſuperfluity of the conſumers.

Taxes being carried to that height, the ſtate will become proprietors of the whole income of the immoveable funds, and the induſtrious claſſes alone will augment their wealth, in proportion to their frugality.

From this general principle it appears, that for the eſtabliſhment of proportional taxes, conſumption is requiſite, together with alienation; conſequently, where alienation takes place without conſumption, as in the ſale of lands, and other immoveable ſubjects, a proportional tax cannot be, properly, impoſed. And alſo where conſumption takes place without alienation, as when the fruits of the earth are conſumed by thoſe who raiſe them, proportional taxes cannot, with any propriety, be levied. Farther,

As taxes do not bear a proportion to effects, but to circulation, it follows, that they can only be raiſed, properly, upon alienation by ſale. Many examples however may be found of proportional taxes, impoſed in different countries,

where neither ſale or even alienation takes place.

Theſe I obſerve to be the worſt kind of proportional taxes, and the moſt oppreſſive to thoſe who pay them.

From the principle that taxes are in proportion to circulation, and not in proportion to conſumption, we diſcover the reaſon why of old they were ſo difficult to be raiſed. Conſumption then went on as now, in many reſpects, in proportion to the number of inhabitants; but circulation, that is, alienation by ſale, bore no proportion to it.

The effect of every increaſe in circulation is to ſwell the amount of taxes; and when they are extenſively impoſed in a country of induſtry, the whole currency is thereby made to flow through the coffers of the public, as the blood of the human body flows through the heart, and is by that diffuſed through every member.

CHAP. IX. I next examine the conſequences of a total abolition of taxes, the better to diſcover the effects which ſuch an alteration would produce, firſt, upon the proſperity of the whole community; and next, upon that of the principal claſſes of inhabitants, which compoſe it. Theſe I reduce to three.

1*mo*, Thoſe who adminiſter government, and who are maintained from the amount of taxes.

An abolition of them, with reſpect to this numerous claſs, would draw conſequences along with it, directly deſtructive to their intereſt; and, conſequently, prejudicial to that of all the induſtrious claſſes who ſupply their conſumption.

2*do*,

2*do*, With reſpect to the ſecond claſs, which I ſuppoſe to be compoſed of the induſtrious part of the people, I obſerve, that an abolition of taxes muſt proportionally imply a diminution of circulation; this would produce a proportional diminution upon alienation; conſequently, would interrupt the induſtry of many, and thereby throw them into a hurtful competition among themſelves for ſubſiſtence. And as it has been proved, that the induſtrious claſſes pay no taxes, as matters ſtand, providing they be diligent and frugal, they conſequently would *gain* nothing, and muſt *loſe* a great deal by the abolition of them.

3*tio*, In the third claſs I comprehend thoſe whom we have hitherto conſidered as the opulent and idle conſumers. Of this category the proprietors of land form a conſiderable branch. They, we have ſaid, draw back no part, either of the cumulative or proportional taxes, which affect them; but although they be deprived of that immediate indemnification, competent to the induſtrious, they reap, in another way, advantages which more than compenſate all the burden laid upon them. Theſe proceed from the conſequences of that ſpirit of induſtry which is diffuſed over the whole people; in conſequence of which, their lands are improved, the produce of them is readily diſpoſed of, and what proves ſuperfluous for domeſtic conſumption meets with a ready market abroad, and thereby ſupports the value of all productions within the country.

It may be aſked, then, where the burden of taxes

falls, ſince every claſs of inhabitants ſeems to gain ſome advantage by them?

I anſwer, that they imply no burden when rightly impoſed. The augmentation of induſtry, in conſequence of the increaſe of circulation, provides a fund of well employed time, which, converted into money, is more than ſufficient to pay all the taxes not immediately affecting the income of ſolid property; and the conſtant improvement of this, in conſequence of the former, is more than ſufficient to indemnify the land-proprietors.

Taxes, in this light, reſemble the expenſe laid out upon new eſtabliſhments for improvement; becauſe in their conſequences they augment the proſperity and eaſe of the whole people, not by being levied, but by being properly applied, as is farther explained in the next chapter.

Chap. X. Here I examine whether taxes be a ſpur to induſtry, as ſome pretend.

The doubt concerning this point has ariſen from what daily experience has ſhown, that nations become induſtrious in proportion to the taxes they pay. It is not very evident, that the *payment* of a tax by any perſon ſhould enable him to diſcharge it with more facility, unleſs it be from the profit he reaps in drawing it back from others, with an additional profit to himſelf. But it is palpable that the amount of taxes being properly *expended* by a ſtate, will increaſe circulation, and give freſh encouragements to induſtry of every kind.

I cloſe this chapter with a ſhort repreſentation of the nature of ancient and modern circulation, accompanied with obſervations upon their reſpective effects in rendering mankind induſtrious.

CHAP. XI. Of all cumulative taxes, that laid upon land-property produces the greateſt amount, with the leaſt oppreſſion to the contributors. This leads me into a particular inquiry into the nature of the land-tax, as it is eſtabliſhed in Great Britain, and in France.

To render a land-tax equal and eaſily born, the impoſition ought to be preceded by a fair valuation of every article of revenue intended to be taxed, and no other income, but that proceeding from an immoveable fund of property, ought to be affected by it. From this I am led to diſapprove of the method of aſſeſſment eſtabliſhed in England by the land-tax; and alſo of blending a tax upon ſolid property, with an equal impoſition upon perſonal eſtates, which we have ſhown to be of a nature incompatible with cumulative taxation.

The defects of this kind of impoſition in France (where it is called the *taille*) are different. There the rents of lands, which are the proper object of every land-tax, are frequently withdrawn from under the influence of it, in conſequence of the privileges enjoyed by the higher claſſes, which are exempted from the *taille*. The conſequence is, that the French land-tax falls upon that part of the lower claſſes who are employed in the cultivation of the ſoil. From this proceeds a double inconvenience.

If thoſe who cultivate are proprietors, their portions are, commonly, very ſmall, and a land-tax which would be light to a conſiderable proprietor, is quite intolerable to thoſe who draw little more from their portion than what is neceſſary for their own ſubſiſtence. If thoſe who cultivate are leſſees to the more conſiderable proprietors, the burden falls

upon them independently of the land-rent, which ought naturally to bear it.

As a proof that this is a true repreſentation of the matter, I review the Maréchal de Vauban's ſcheme for new modelling the ſyſtem of French taxation: and from the intolerable oppreſſion which would follow the execution of it, we may judge of the preſent ſtate of taxes in a nation where that ſcheme was intended as a conſiderable alleviation of their burden.

Nothing but the eſtabliſhment of induſtry and extenſive credit, with a ſubſtitution of proportional taxes, inſtead of the many cumulative ones, impoſed on the lower claſſes in France, can ever produce a facility in paying the conſiderable impoſitions laid upon that nation.

Chap. XII. The moſt proper method of impoſing a land-tax is, without doubt, to confine the impoſition to the rent of lands only, and to lay it on in proportion to them. But how is it to be expected that ever ſuch a plan can take place in a nation where the proprietors of land govern the ſtate? In France, the power of the King has never been able to eſtabliſh a tax upon the rent of lands, for any longer duration than that of a foreign war. In a neighbouring nation, it has now been eſtabliſhed for the greateſt part of a century. Were it there to become perpetual, it might be converted into a new domain, or it might prove a fund for diſcharging, at once, a very great part of the national debt.

When taxes are impoſed, it is of great conſequence to eſtabliſh a right adminiſtration of them. The eaſieſt method for a ſtate, is to give them in farm; and this was the general practice every where, on the

firſt eſtabliſhment of taxes. But here no general rule can be laid down.

Cumulative taxes are better adminiſtered by commiſſioners, than let out in farm. The operation of levying them is ſimple; but when they are farmed, the lower claſſes of the people are apt to be oppreſſed. When farms are properly eſtabliſhed, an open management of them is abſolutely requiſite: from this new improvements naturally ariſe, which give to the farm almoſt every advantage of the management by commiſſioners. This improvement is, to divide the profits upon the farm between the ſtate and the farmers: a plan put in execution in France not many years ago.

No queſtion whatever appears more difficult to reſolve, than that of aſcertaining the fund out of which taxes ought to be paid. Through the whole courſe of this inquiry, I have endeavoured to ſhow, that the real fund of taxes is the money circulating among the inhabitants, either in conſequence of ſale, or of payments. In order to expoſe this queſtion in a new light, I have commented upon two paſſages of Davenant, where he eſtimates this fund from the quantity of national conſumption.

From this he is led to compute the yearly taxable expenſe of every man in England at 8 *l.* ſterling; when perhaps the circulation of money through the hands of many may not be twenty ſhillings: whereas, according to my theory, it is theſe twenty ſhillings only that can be laid under any taxation whatever.

I thought this method of comparing the reſult of Davenant's reaſoning with mine, might better ſerve

to ſupport the latter than any other I could contrive.

The laſt queſtion propoſed in this chapter is no more than a hint to ſhow, that a proportional tax, laid upon meat and drink, is the moſt proper equivalent for a land-tax; becauſe thoſe who purchaſe their ſubſiſtence with money are, according to the principles of the firſt book, thoſe who conſume that part of the fruits of the earth which is equivalent to the land rent. If this be arbitrarily laid under an impoſition, by a pound rate, or otherwiſe, the proper drawback, if any be allowed, ſhould be from a tax laid upon thoſe who conſume that part of the earth's produce which belongs to the landlords.

I have now concluded this inquiry, according to the plan I at firſt propoſed. It is the fruit of eighteen years cloſe, though agreeable application; interrupted only by many intervals of bad health, and many ſtrokes of adverſe fortune.

It never was, till lately, my intention to offer to the public, during my life, what I had compoſed purely for my own inſtruction and amuſement. But upon comparing my ſentiments in ſeveral points with thoſe of the generality of my friends, they have been found ſo widely different, that I was thought in duty bound to my country, to ſubmit them to the criticiſm of the public.

To this I have the more willingly ſubmitted, as I thereby ſhall purſue my firſt intention in taking my pen; which was, to clear up my ideas on his ſubject. And ſince I can now draw no farther knowledge from my own inquiries, I muſt expect it from the criticiſms of thoſe who may think it worth their while to animadvert upon my notions.

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C O I N S,

ntained in them.

mint of the country where it is coined, and is expreſſed in
r countries, according to the following proportions:

Colonia-grains, are ſuppoſed to be equal weights; and the
ſe proportions,

Gold Coins.			Silver Coins.			
	Colonia.	Holland.	Troy.	Paris.	Colonia.	Holland.
6	143.65	160.45				
	- -	- -	429.68	529.2	520.2	581.
	- -	- -	85.935	104.65	104.	116.2
	- -	- -	1718.7	2093.	2080.8	2324.1
1	136.8	152.8				
	- -	- -	1639.38	1996.4	1984.7	2216.
1	136.8	152.8	1638.5	1995.3	1983.7	2215.7
8	143.34	160.11	1718.7	2093.	2080.8	2324.1
8	140.16	156.55	1678.6	2044.2	2032.2	2269.9
	- -	- -	81.961	99.8	99.	110.82
	- -	- -	1804.6	2197.6	2184.8	2440.3
	- -	- -	1720.4	2095.1	2082.8	2326.4
	6973.5	7789.2				
4	137.13	153.17				
	- -	- -	409.94	499.22	496.3	554.3
	- -	- -	204.97	249.61	248.15	277.1
	- -	- -	68.34	83.23	82.74	92.42
	- -	- -	1639.7	1996.9	1985.2	2217.4
	4581.1	5116.9	3783.87	4608.	4581.1	5116.9
	4114.3	4593.4				
	- -	- -	3402.3	4143.4	4119.2	4600.9
	139.78	156.12				
7	64.	71.48				
	- -	- -	179.73	218.87	217.6	243.
	- -	- -	269.59	328.31	326.4	364.5
4	21.615	24.14				
4	12.77	14.26				
	- -	- -	1674.	2038.6	2026.8	2263.8
	62.67	70.				
	- -	- -				
			148.	180.3	[illegible].2	200.21

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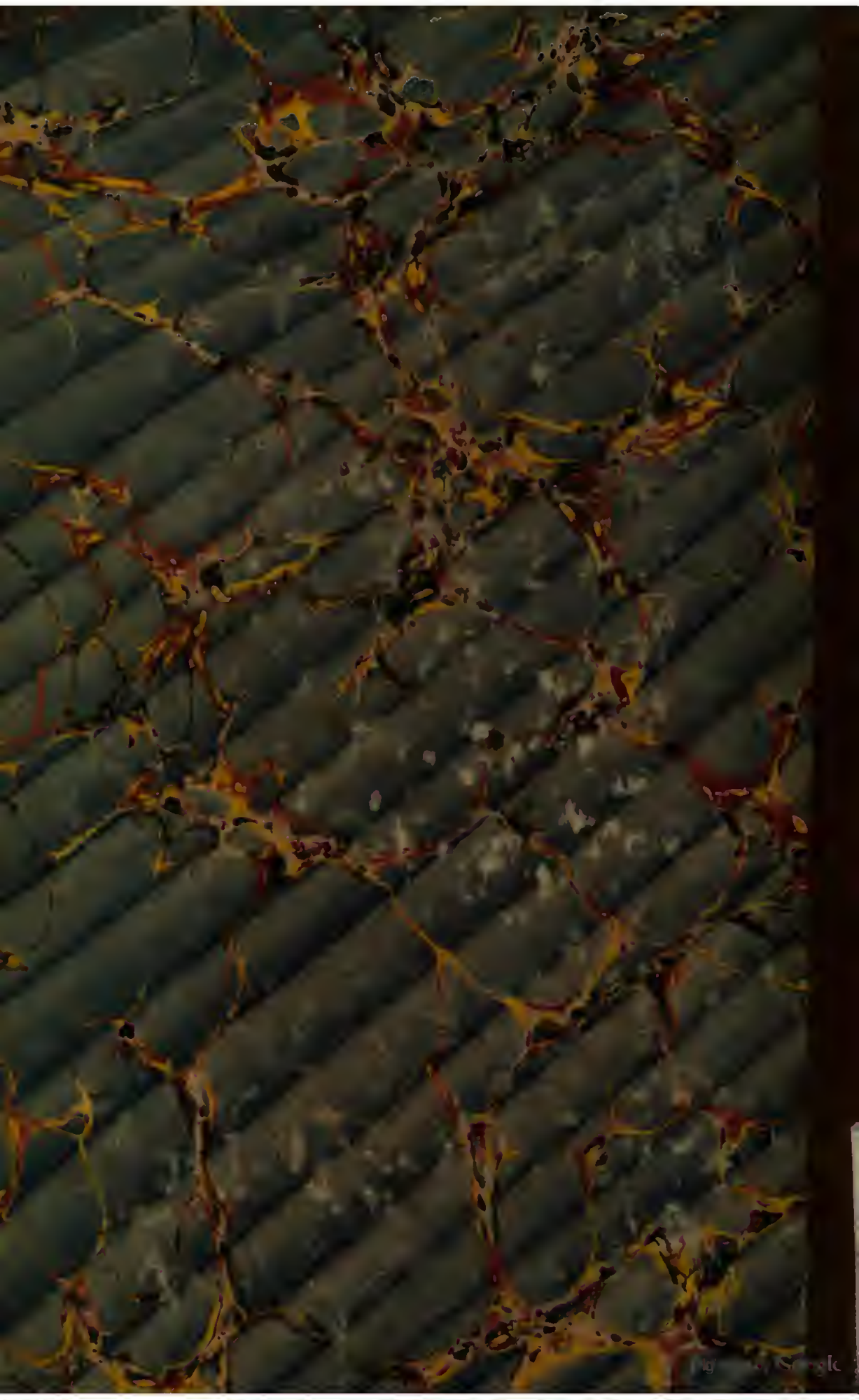
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